

UNITED STATES DISTRICT JUDGE.

Lake Jones to be United States district judge, southern district of Florida.

UNITED STATES ATTORNEY.

Joseph A. Tolbert to be United States attorney, western district of South Carolina.

PROMOTIONS IN THE ARMY.

William Elmer Hunt to be colonel.
Charles Greenough Mortimer to be lieutenant colonel.
Herman Benkema to be major.
Jesse Knox Freeman to be captain.
Edward Marion George to be captain.
Paul Hanford Cartter to be captain.
Horace Joseph Brooks to be captain.
Frederick Bradstreet Dodge, jr., to be first lieutenant.
Clarkson Deweese McNary to be first lieutenant.
Bernard Abert Byrne, jr., to be first lieutenant.
Warren Wilson Christian to be first lieutenant.
Robert Barrett Hutchins to be first lieutenant.
Ralph Mundon Neal to be second lieutenant, Cavalry.

POSTMASTERS.

COLORADO.

J. Harry Mallott, Mount Harris.

MAINE.

William Osborne, jr., Danforth.
Harold A. Pennell, Topsham.

MICHIGAN.

Elmer C. Clute, Harrison.

NEBRASKA.

Byron I. Demaray, Alexandria.
Hans George Lehn, Elba.

NEW HAMPSHIRE.

Joseph P. Conner, Portsmouth.

NEW YORK.

Harrison D. Fuller, Antwerp.
Frederick J. Manchester, Clark Mills.
Benjamin R. Erwin, East Rochester.
Everett W. Pope, Hartwick.
Elizabeth T. Witherel, Lilly Dale.

OHIO.

Warren S. Myers, Dupont.
Clyde E. Bennett, Tippecanoe City.

PENNSYLVANIA.

Eugene H. Stahl, Friedens.
Beatrice Davidson, Grindstone.
Edna E. Snably, Hollsopple.
Harry A. Miller, Rockwood.
Newton E. Arnold, Roslyn.
Cleo W. Callaway, Shawnee on Delaware.
John W. Frease, Somerset.
Hugh D. Shallenberger, Vanderbilt.
Edmund W. Tomb, Youngwood.

SOUTH CAROLINA.

Joseph H. Wright, Johnston.
Sidney C. Taylor, Ridgeland.

REJECTION.

Executive nomination rejected by the Senate February 18 (legislative day of February 16), 1924.

COMPTROLLER OF CUSTOMS.

Walter L. Cohen to comptroller of customs at New Orleans, La.

HOUSE OF REPRESENTATIVES.

MONDAY, February 18, 1924.

The House met at 11 o'clock a. m., and was called to order by the Speaker.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Our Heavenly Father, we can only speak to Thee with faltering lips because of our human frailties. In Thy gracious design take us and put us under Thy guidance and direction. Inspire us with the faith that conquers doubt and gives the calm conviction that this is God's world and underneath are the everlasting arms. Be Thou our refuge from all life's

illusions and adverse conditions. Help us to walk, while it is yet day, in the steps of Him who is the way, the truth, the life. In His holy name. Amen.

The Journal of the proceedings of Saturday, February 16, was read and approved.

WOODROW WILSON.

Mr. HOWARD of Oklahoma. Mr. Speaker, under leave granted to extend my remarks I insert the following address:

SPEECH OF HON. LUTHER HARRISON, EDITOR AND STATESMAN, TO THE JOINT ASSEMBLY OF THE SENATE AND HOUSE OF REPRESENTATIVES ON THE OCCASION OF THE WOODROW WILSON MEMORIAL, FEBRUARY 6, 1924.

Mr. LUTHER HARRISON. Mr. Chairman, ladies, and gentlemen of the general assembly, sons and daughters of Oklahoma, the birthday of Woodrow Wilson comes in the calendar only three days later than the birthday of the Prince of Peace. That may largely explain why this assembly is here to-day, a small part of an assemblage that at this hour reaches entirely around the world. The Legislature of Oklahoma is only a very small unit in a day of world-wide mourning. There is not a people beneath the skies who do not bow their heads at this hour, and as we assemble in this stately hall to pay tribute to an American citizen, similar audiences are assembled around the world to pay tribute to the greatest apostle of peace that has lived in these 2,000 years.

Why is it, may I ask you, that not only Americans, but English and French and Scotch and Irish, the people from polar snows to tropic zones, are pausing at this moment to pay at least a tribute of silence to one who has gone down into the valley of the shadow? Why is it that the world stands with uncovered head and lifts a prayer of thanksgiving to the God of nations that Woodrow Wilson has lived on earth? You must find that answer in the yearning hearts of a stricken multitude. You must find it by the desolated fireside where the devastating heel of war has trod. You must find it in the far-spread cemeteries where the little white crosses look up so pitifully on this day of peace. You must find it in the gospel of the Nazarene, who more than 2,000 years ago preached the gospel of peace on earth and good will to men.

We have met to-day to commemorate the life and public service of an American President. Discarding the indiscriminate eulogy which has long since become the proverbial blemish of funeral orations, I desire to speak for a little while of Mr. Wilson as he really was, or at least as he seemed to me.

Noble were the words of Cicero when he told us that it is the first and fundamental law of history that it shall neither dare to say anything that is false nor fear to say anything that is true, nor give any just suspicion of favor or disaffection. No less high standard must be invoked when considering the life and public service of Woodrow Wilson. A great man of a great epoch, whose name is blended with the renown of American arms and the civic glories of the Cabinet and the Congress Hall. A son of the South who became the head of a Nation more populous and more extensive than was ever governed by a Caesar, and the Commander in Chief of armies many times greater than Napoleon ever led to war. No man was ever subjected to sterner ordeals of character or closer scrutiny of conduct. He was in public gaze for 20 years, and in the fate that at last overwhelmed him and overwhelmed his administration he stood erect and dauntless and as unshaken as a tower. He conquered himself and forgave his enemies, but he bent to none but God.

I could not, nor indeed would I, divest myself of those identities and partialities which makes me one of the people of whom he was the chief in the supreme struggle for civilization, but I desire to think for a moment of the greatest figure of his century, who came into the world when he was most sorely needed, and who has now finished his work and gone to the great beyond. Woodrow Wilson was born in Staunton, Va. He studied at Davidson College and Princeton. He practiced law for a little while in Atlanta. He studied government at Johns Hopkins. He was a teacher of government in many institutions. He finally became president of Princeton University, Governor of New Jersey, President of the United States, and the dominating figure of a world crisis. As a student in college, as a professor in the university, as president of a great institution, as governor of an imperial Commonwealth, as President of the greatest Republic in all the tides of time, and as the dominant figure in a world council he dedicated himself to the service of mankind.

On the 4th of March, 1913, when hundreds of thousands of people assembled at the National Capital to attend his first inauguration he had the moral courage and vision to say in the presence of office-seeking persons, "This is not a day of triumph; it is a day of dedication." Then and there, as in the past, he dedicated himself to the public service; he dedicated his office to the service of his people; he dedicated his Nation to the service of the world. Ruin, wounds, and death became his portion, and so it is to-day as he goes down to be claimed again by the clods of the valley, that every flag in Christendom is

dipped in grief except the flags his legion conquered in the bleeding days of war. Service was the secret of his life, but peace was his obsession.

We remember the criticism of 1916 when he refused to rouse the guns that slept on the Rio Grande. We remember the criticism of "watchful waiting" indulged in by people who did not know the truth. He alone in the Capital of his country knew that the dice of death had already been cast in the palace of Potsdam and nothing but a miracle could hold back the hordes of war. He endured the criticism, the misunderstanding, the misrepresentation; and far removed from public gaze in his solitary chamber he "wept in silence, prayed in silence, held the hand of God alone." Finally he was called upon to paint the vessels of a free republic in the shameful color of a barber's sign to protect them from the sleuths of the sea, or to bear the flag as his fathers had borne on the sweeping fields of war. Time and again he pleaded that the cup of grief might not be pressed to the lips of the American people. Letter after letter was written to the house of Hohenzollern imploring them to respect the laws of nations, as an American people, impatient and misunderstanding, criticized his policy of tardiness or watchful waiting. Finally, God brought the American people face to face with the realization of this problem, that we must save the civilization of the Old World or lose the freedom of the New. It was then that the drum sounded the notes of mobilization, and it was then that the American public girded itself for war.

As we stand to-day amid these battle flags and think of the great captain of the century who has gone to meet his Maker, a stone is rolled away from the sepulcher of memories and all the burial places of history yield their dead. Again we hear the order for registration and we see millions of young American manhood crowding to the registration offices. We see them board the trains to go away to far away cantonments to prepare themselves for the ghastly game with death. We see them on the fields of training; we see them going down to sea in ships, crossing a darkened ocean in darkened vessels, entering an alien port, landing on alien soil, and listening to an alien language they did not understand. We see them again at Gaudrecourt, at Bar-sur-Aube and Tours preparing for the death grapple with the enemies of civilization. We see them on the long night march up to the front where the boys died in their tracks of sheer fatigue just as boys from Chandler died. We remember again the 18th of July. We remember the bulletin sent out by the French high command. Bulletin No. 1: "Germans again advancing, French fighting gallantly, but retiring. Americans holding." Bulletin No. 2: "Germans still advancing. French fighting desperately. Americans counterattacking." Bulletin No. 3: "Great numbers of dead as the Americans advance." Bulletin No. 4: "There are no Germans but the dead and wounded south of the Marne." That was the answer of an American President to the world that would not respect the rights of civilization.

Then the first administration was gone, and in the stress of war we have forgotten the triumphs of that administration. We have forgotten that between 1912 and 1916 years, the quadrennium that he first ruled this Republic, that he forced into the statute books of the United States the most progressive measures advocated in the campaign of 1912 by two of the greatest men that ever served the human race, Woodrow Wilson and Theodore Roosevelt. We have forgotten that in the stress of war and the bitter reactions of peace, and we have forgotten much of his second administration.

The war having ended he went across the seas. He went to write the gospel of the Nazarene in the statute books of the world. He met the people of ancient nations; he met the wily Welshman representing the British Crown; he met the Old Tiger who more than any other one man had saved France from her enemies; he met Orlando, of Italy; he met representatives of many other great nations; and he laid on the council table of the hall of Versailles the same philosophy that was planted on a skull-shaped hill on a cross between two thieves.

Is it wrong to say, "Blessed are the peacemakers, for they shall be called the children of God?" Then Woodrow Wilson was wrong. Is it wrong to say, "As ye would that men should do unto you, do ye unto them likewise?" Then Woodrow Wilson was wrong. Is it wrong to say, "They who take the sword shall perish by the sword?" Then Woodrow Wilson was wrong. Is it wrong to say, "Thou shalt love thy God with all thy heart and soul and strength and mind and thy neighbor as thyself?" Then Woodrow Wilson was wrong.

He came back to America to make his last battle. He toured the Western States, and on the borders of Oklahoma God's hand touched him and he became a martyr for the sake of principle and for the sake of peace. Abraham Lincoln became a martyr for an ideal under the demoniac assassin's bullet. Woodrow Wilson was a martyr just as Lincoln. Though he died a lingering death that extended for more than four weary years, he died a martyr.

The American people could not understand his philosophy. He presented to them problems which they had never heard. They could not grasp the meaning of an eternal truth. Understand this to-day, my friends; the most dangerous thing that man can do, in so far as his own peace and welfare are concerned, is to bring to the world a new idea, a new philosophy, or a new thought. But don't misunderstand the logic

of history. You can kill the protagonist, but you can not kill his philosophy. If you could destroy ideals and ideas, if you could destroy reforms and reformers by the assassin's bullet or the flaming stake, we to-day would be breech-clouted savages worshipping wooden gods. If murder could kill philosophy, Jesus Christ would have died in vain. If murder could kill philosophy, the truths would have died long ago. So while the unleashed passions of a misguided world and the bitterness of a maddened era murdered Woodrow Wilson, the philosophy he preached on earth is alive to-day and can not be checked by personal abuse, the assassin's bullet, or the misrepresentations of an embittered time, just so sure as the philosophy of the Prince of Peace is destined to live throughout ages, the world will some day learn that we must save the nations from the greed of war if we would save civilization and save humanity.

He would be a poor citizen and a poor American who would endeavor to interject questions of a political nature into a solemn occasion of this character, but let us consider just a moment the background of the battle for the adoption or rejection of the treaty of Versailles.

If you can understand that, you can understand why Woodrow Wilson is dead today and not alive. Consider, if you will, in the pale light of these peaceful days the arguments presented against the League ratification. The argument of Senator Sherman of Illinois, that "This is an organized effort to turn the civilized nations of the world over to the domination of the Vatican." Contrast that argument, if you will, with the argument of Senator BORAH that "Our ratification of the League covenant means the domination of all nations by the British Empire," which incidentally is the greatest Protestant nation on earth. Consider the argument of Senator REED of Missouri that "If we accept the covenant of Versailles, we pave the way for a world domination by the black races of the world." Hear again the argument made by more than 20 Senators, "That this is a league for war and not a league for peace." Contrast that argument, if you please, with the argument presented before the Senate Committee on Foreign Relations by Judge Cohan and Bourke Cochran, "that we oppose the league covenant because its adoption by the American nation will prevent all wars and we want the United States to wage war on the British Empire to free Ireland." When you view in these peaceful hours and this late date those contradictory arguments, you can look beyond the stirring scenes of the convention hall and Senate chamber and public forum and realize why Woodrow Wilson died. It has been said everywhere, never challenged or denied and never explained, that one of the leading United States Senators, who, today is a member of the Senate, said in a council of his partisans, "Woodrow Wilson has brought back from Europe the greatest state paper of modern times. If he secures its ratification by the American people, his party will become the dominant party of our generation. We must not permit that to be done. We must destroy the league and in order to destroy the league we must destroy Woodrow Wilson. I do not know and I do not care whether those words were ever spoken, but the spirit that would have expressed itself in such language lay behind the campaign of defamation that sent the great Virginian to his grave.

Every hiding place was open. Nothing was sealed or sacred to those who opposed the principles that he sought to incorporate into law. They went amid the hills of Georgia and circulated the foul canard that he had failed to erect a monument over the ashes of his first love, and many people believed that falsehood even unto today. No member of his family was exempt from the shrugging of shoulders and the shaking of heads. His wife and his daughters were sneered at throughout the country that the league covenant might be defeated. On the 6th day of December, 1919, a certain United States Senator said, "I will be one of a committee to break down the White House doors and prove to the world that Woodrow Wilson is feigning sickness in order to capitalize sympathy," and later on the same day he went uninvited, this United States Senator, uninvited and unwelcome, passed the attendant at the White House door, then an attendant by the bedside of a dying statesman, had rolled back the covers that he might see whether the President of the United States was feigning illness. That Senator has been heard of recently. His name is Albert Bacon Fall. The campaign succeeded because the world was sick. We were caught in the back-wash of unexampled carnage. Finally a giant frame was broken down, but his Spirit remained uncowed.

O, great heart, standing all alone so long
Amid the storm and wreck of bitter years,
Unscathed by floods of calumny and hate,
Unswerved by treachery, unbalanced by fears,
Led like as one before the altar stone
To bleed a living sacrifice for hosts.

But do not mistake this occasion. The clouds of the valley have claimed their own; the frame that we called Woodrow Wilson has been returned to its kindred dust. But a spirit stands to-day in this council hall, bidding the sons of freedom, of world-wide democracy, of universal peace, be of good cheer, because an idea never has, never can, and never will die.

During the great Sepoy rebellion in British India the Sepoys took Cawnpore and murdered every soldier, woman, and babe in the garrison. They swept down the Goomti River and laid siege to the city of Lucknow. And 12 long weeks the people of that historic city, shut in from all the outside world, endured all the horrors of starvation, all the terrors of bombardment. They hoped for a season that Havelock would come to their relief, but finally that hope died away. At last a little Scottish lassie, Jennie Brown, wrapped herself in a soldier's plaid, and wasted by fever and by hunger, threw herself on the ground to rest for a little while. But suddenly she sprang to her feet and shouted, "Dinna you hear it?" "Dinna you hear it?" It is the slogan of the Highlanders, "The Campbells are coming." The cannoneers paused at their guns and listened. But all their dull lowland ears could hear was the knell of vengeance that came from the Sepoy lines. But again the lassie shouted, "And will ye na believe it, and will you na believe it?" It is the slogan of the Highlanders. "I hear the pipes of Gardon's men; I hear the clan call of the MacGregor; the Campbells are coming." They listened again, and faint, and far beyond the Goomti they caught the skirl of the Scottish bagpipes. Havelock's men were on the march. And 'ere morning dawned the Scottish front ranks had cut their way through the Sepoy line and brought relief to the dying garrison of Lucknow.

Gentlemen, do not misinterpret the truth of history. The immortal purpose born in the brain of Woodrow Wilson is listening even now to the skirl of the bagpipes that beat a eulogy that reaches around the world, and every son that has died for freedom and every soul whose blood has consecrated those flags will know that the purpose for which he lived, the gospel that he preached, and the philosophy he taught is as deathless as the sword of God.

"Silent seems the great avenger,
History's pages but record
One death grapple in the darkness
'Twixt old systems and the Word.
Truth forever on the scaffold,
Wrong forever on the throne;
Yet that scaffold sways the future
And within the dim unknown
Standeth God within the shadow
Keeping watch upon his own."

The restless tides of humanity will continue to sweep over the land of battles. The ages will rush on and "rift the hills, roll the waters, flash the lightning, weigh the sun." The white sails of commerce shall thicken on our rivers, and the black smoke of increasing factories darken our skies. Remnants of lives scarred from the battle will be interwoven with the hosts of freedom. The sons of America will bear that flag as their fathers bore it to make the bounds of freedom wider yet. But no braver ones will ever rise than those who sleep beneath the reddened sod from the valleys of Lorraine to the beaches of Flanders, and none will come forth of braver heart or cleaner purpose to lead them in the battle.

To dust we give his body now; the ages receive his memory. They have never failed to do justice, however tardy, to one who stood by his people and made their cause his own. We but forecast the judgment of the years to come when we say the world will recognize Woodrow Wilson as the master spirit of his century in the eyes of Him to whom a thousand years are as a watch in the night, the war and the century in which it came are but as a single throb in the breast of time. And when in the future ages the myriads of this great world shall look back through unclouded vision, the smoke and stain of slander shall have vanished from Woodrow Wilson's name. The tall chieftain who led the hosts of freedom will stand at the bar of public judgment with a countenance like the lightning and raiment as white as snow. Peace to thy soul, Woodrow Wilson; may the winds of a thousand winters deal gently with thy ashes, and the undying laurels of glory grow green over thy grave.

TEAPOT DOME.

Mr. EVANS of Montana. Mr. Speaker, the past few days have seen the Government of the United States rocked on its very foundation, and it is a time for all students and friends of popular government to realize the dangers that lie ahead.

Within a week the Senate of the United States passed a resolution, which was approved by the President, declaring that the Secretary of the Interior, Albert Fall, and the Secretary of the Navy, Edwin Denby, had made leases of the naval reserve lands with certain oil men, and that these leases were executed under circumstances indicating fraud and corruption, and, further, that these leases were made in violation of the law and the settled policy of the Government. That resolution was unanimously passed in the Senate of the United States and received the approval of the President of the United States.

On Monday last the Senate passed another resolution requesting the President of the United States to call for the resignation of the Secretary of the Navy, Edwin Denby, he being one

of the parties who signed the leases which the Senate and the President had solemnly declared "were signed under circumstances indicating fraud and corruption and in violation of the law."

THE PRESIDENT REFUSES TO ACT.

In commenting upon this resolution requesting the resignation of the Secretary of the Navy, the President in his Lincoln day speech in the city of New York said:

Lately there have been most startling revelations concerning the leasing of Government oil lands. It is my duty to extend to every individual the constitutional right to the presumption of innocence until proven guilty.

Again in the same speech he said:

I want no hue and cry, no mingling of innocent and guilty in unthinking condemnation, no confusion of mere questions of law with questions of fraud and corruption. It is at such a time that the quality of our citizenry is tested—unrelenting toward evil, fair-minded and intent upon the requirements of due process, the shield of the innocent and the safeguard of society itself. I ask the support of our people, as Chief Magistrate, intent on the enforcement of our laws without fear or favor, no matter who is hurt or what the consequences.

The President declines to call for the resignation of the Secretary of the Navy because, as he says, it is his duty to extend to every individual the constitutional right of the presumption of innocence until proven guilty, and for further reasons that he does not want to be influenced by any "hue and cry, no mingling of innocent and guilty in unthinking condemnation."

Mr. Speaker, the people of this country, the great mass of the people, are not indulging in any fine-spun theories about constitutional rights; they are looking only at and for fundamentals. The Senate passes a resolution and this resolution receives the approval of Calvin Coolidge, President of the United States, saying these leases signed by Edwin Denby and Albert Fall were executed under circumstances indicating fraud and corruption and in violation of law, and yet the President hesitates to call for the resignation of one of the men who signed the leases in violation of the law and under circumstances that indicate "fraud and corruption," because he wants nobody punished by "hue and cry."

He seems to be solicitous, extremely solicitous, that Mr. Denby shall be accorded his constitutional rights of being innocent until he is proven guilty, but he seems to have but little consideration for the constitutional rights of the American people whose property has been bartered away under circumstances which he, the President, says "indicate fraud and corruption."

The Senate of the United States by its resolution did not ask the President to punish Mr. Denby; it only asked him to call for his resignation and thus relieve him of the opportunity of repeating the offense with which he is charged in the minds and hearts of the American people.

The President may be well within his legal and constitutional rights to keep his Secretary of the Navy in the Cabinet, but he is doing so against the wishes and desires of the American people, and their wishes and desires should be considered in the matter. Assuming, for the sake of the argument, that the Secretary of the Navy may be innocent of all wrongdoing, still he should not be permitted to remain at his post, because he has forfeited the confidence of the American people. Assuming for the moment that these leases should be declared legal and valid in the courts, yet the fact remains that the President of the United States and the Senate of the United States have solemnly declared that they were executed "not only in violation of the law but in defiance of the settled policy of the Government."

No one longer doubts there was corruption and bribery in connection with the leases, though I do not charge that to Secretary Denby, and yet the fact remains that he was one of the parties that executed these leases, executed them in secrecy, executed them in defiance of the settled policy of the Government, and as the Senate and President declared in violation of the law. If he were merely misled by reason of incompetency or inefficiency, it makes no difference, the fact remains he disposed of the millions of barrels of oil that the Congress had set apart for the use of the Navy in case of war. If the acts of the Secretary of the Navy were only the result of incompetency, the President should assume the responsibility for seeing that a competent man is placed in his stead.

Mr. Denby advises the country that his acts were not the results of incompetency and defiantly says that "I would do it again." Having once bartered away these precious reserves, and the President and the Senate having approved a bill

appropriating \$100,000 to be expended for special counsel in an effort to recover the property, the President allows this Cabinet officer to remain in his position to the end that he may again sign away these reserves as soon as they have been recovered, because, he boldly and defiantly says, "I would do it again."

There is not a member of the Cabinet who will admit that he had any knowledge of what the Secretary of the Navy was doing when these leases were signed. Messrs. Hughes, Hoover, Weeks, and Daugherty have all publicly announced that they had no part in and knew nothing about it. If the President continues to hold Mr. Denby in his Cabinet he can not divorce himself from the policy established by the Secretary of the Navy and the Secretary of the Interior of leasing these reserves. The people will believe—they must believe—the President has confidence in his Secretary of the Navy. His Cabinet officers occupy a peculiarly close and confidential relation with the President, and so long as Mr. Denby is retained so long will the American people believe that the President approves his acts, because he has the power to remove him if he does not approve his acts.

The American people are not asking that Mr. Denby or any other man be sacrificed. They are asking for an administration of the governmental affairs in an honest and efficient manner and by men in whom they have confidence. Whether rightly or wrongly, whether it be his fault or his misfortune, the people have lost faith in the Secretary of the Navy, and they desire to have in that position a man in whom they have confidence, and the longer he remains in that place the less confidence the people will have in the executive branch of the Government.

The loss of these reserves would entail a loss to the American people of probably many hundreds of millions of dollars, but that loss is not comparable to the damage done the Government in the loss of faith in the honesty, integrity, and efficiency of the Government officials. The Teapot Dome scandal has undermined the very foundation of popular government a thousand times more than all the communists could do in a hundred years, and there is but one man in the United States who can make any material headway at restoring that confidence, and that man is the President of the United States, and the American people are asking—

When will the President act?

REVENUE ACT OF 1924.

Mr. GREEN of Iowa. Mr. Speaker, I move that the House resolve itself into Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 6715) to reduce and equalize taxation, provide revenue, and for other purposes; and pending that motion, I may say that there seems to be a little conflict about the amount of time used on the respective sides, but it is clear that both of us have used practically the same time, although perhaps I have not used quite as much time as has been used on the other side. In order that there may be no difficulty about the regulation of the time, I ask unanimous consent that the remaining time for general debate be divided equally.

Mr. COLLIER. Mr. Speaker, there is a difference of only three minutes.

Mr. GREEN of Iowa. I thought there was more difference than that. I will withdraw the request.

The motion was agreed to.

Accordingly the House resolved itself into Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 6715) to reduce and equalize taxation, to provide revenue, and for other purposes, with Mr. GRAHAM of Illinois in the chair.

The CHAIRMAN. The House is in Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 6715 which the Clerk will report by title.

The Clerk read as follows:

A bill (H. R. 6715) to reduce and equalize taxation, to provide revenue, and for other purposes.

Mr. COLLIER. Mr. Chairman, I yield 10 minutes to the gentleman from Michigan [Mr. CLANCY].

The CHAIRMAN. The gentleman from Michigan is recognized for 10 minutes.

Mr. CLANCY. Mr. Chairman, I wish to announce to gentlemen of this House that the owners of over 15,000,000 automobiles in this country are going into some measure of politics to protect their rights, and they are going in with their friends and relatives. The reason is that they have been given a raw deal by the hard-boiled old guard of the Ways and Means Committee.

The old guard of this committee have recommended a tax repeal of \$11,000,000 on candy; \$13,000,000 on jewelry; \$29,000,000 on telegraph and telephone messages; \$10,000,000 on soft drinks; \$35,000,000 on movies and theaters. They gave the automobile and truck owner the marble heart.

Representatives of the great automobile organizations claim they had trouble in getting the right even to present their case. The old guard thought they had heard enough already from the automobile owners, these 15,000,000 voters. They showed a tendency to deny even the American citizen's basic constitutional right of petitioning to redress his grievances.

The Democratic Members of this House are lining up to redress these grievances. They tried to get some relief in the Ways and Means Committee, but failed. The 11 Democratic members of the Ways and Means Committee favor some relief now. Mr. GARNER, leader of the minority on the committee, declared for it on the floor of the House a few days ago. Mr. OLDFIELD spoke for it also in his speech a few days ago. So did Mr. COLLIER and Mr. TAGUE, and so will Mr. RAINEX. So will all our leaders.

It is now Democratic policy and one of the cardinal points of our faith to sympathize with the much-oppressed automobile owner. The Democratic Ways and Means Committee under Claude Kitchin killed these taxes in the committee for seven years, from 1911 onward, until the war broke, despite desperate efforts to levy these taxes—Kitchin and the Congressman from Detroit, Mr. Doremus; and now the 11 Democratic members of the Ways and Means Committee have made fair treatment of the automobile industry and the automobile and truck owner Democratic policy.

It is only the old guard of the Republican Party which is standing for oppression and unfair treatment. Enough liberal Republican Members have declared for a measure of reasonable relief within the past few days to prevent this matter from becoming a partisan question. The old guard defeated 70 Republican Members last session. There are 70 vacant seats on that side now and 70 more seats on the Democratic side now. The old guard, and particularly the old guard of the Ways and Means Committee, are responsible.

The old guard is working to make some more empty seats on this automobile question. They want to send some more good Republicans to their doom next fall by sending them back to their districts to explain how they just had to relieve the taxes on candy and soft drinks, and movies, and telegraphs, and telephones, and the railroads, and chewing gum, but just had to give the automobile owners a rebuff.

The automobile owner is highly organized. The powerful farmers' organizations of the country are standing with them. They are led by able, clever, energetic leaders—men with a punch and men with courage; men who can become just as hard boiled as the old guard. If you challenge them, if you dare them to fight, the results will be on your own conscience, if it is proper to consider the old guard Members as having consciences.

Our program for the fight here on the floor is reasonable. The auto and truck owners paid out \$146,000,000 last year on these war excise taxes. We are asking a reduction of about \$25,000,000. That is all.

I recommend the reduction of the parts, tires, and accessories tax from 5 per cent to 2½ per cent. This cuts the tax in half. Forty million dollars was raised last year from this tax. To cut it in half gives the motorists \$20,000,000 in relief. This reduction brings relief to all the 15,000,000 users of automobiles and trucks owned in the United States.

This is the nuisance or misfortune tax on the owner who ruins a tire or breaks an axle or spring or any part of his auto or truck. It is a penalty on his misfortune. It is double taxation—a tax on the original part and on the repair part. The motor vehicle is the only commodity in the United States which must pay a repair-parts levy. The parts tax is the most odious of all the war excise taxes on automobiles.

All the powerful automobile and truck organizations of the United States are backing me in asking the 50 per cent reduction of the misfortune tax on parts. Practically every farmers' organization represented in Washington backs me also in this reasonable request.

I am going to fight for the repeal of the 3 per cent war excise tax on motor trucks of a capacity of 2 tons and under. I am not asking at this time for the repeal of the tax on the big, heavy motor truck which the friends of the railroads are fighting in this Congress and which they claim gives a great deal of wear and tear on the public highways.

I am asking for the repeal of the tax on the small trucks, which is the truck of the farmer and the truck of the grocer

and the butcher and the merchant who delivers the necessities of life to your front door or your back door, according to your station in life. I am asking for the repeal of the tax on the produce and the food truck.

This repeal means the loss of only a small amount of revenue, considering the size of the budget necessary to run the country. It means approximately \$5,442,900 loss in revenue, and yet it takes the war tax off 91 per cent of the trucks in use in the United States.

This is one of the most indefensible of all Federal taxes. It is a tax on transportation, and Secretary Mellon says he is against transportation taxes. It is a tax on the distribution of the most simple and the most vital necessities of life.

Now, gentlemen, I want to explain these charts for a moment or so. Members of the Ways and Means Committee try to give you the impression that it is the rich automobile owner and the magnate in the industry who would be benefited by a reduction of these taxes. These taxes are directly upon the owner of the automobiles and trucks, and there are 15,000,000 owners in the United States, and this chart shows the apportionment among the various States. For instance, in Ohio, in the State of our good friend, the majority leader, there are 1,074,000. This other chart shows where the cars are—not in the hands of the rich but in the hands of the farmers principally. To a large extent the farmers are the largest buyers of automobiles, the sales being 33 per cent in towns of 1,000 or under. Seventy-five per cent of all cars are sold in towns of 50,000 or under, and only 25 per cent in towns of 50,000 and over.

This other diagram shows graphically how high the proportion of owners runs in towns of under 5,000.

This other chart shows that 70 per cent of all cars are sold at retail at less than \$1,000, and proves the great bulk of cars are sold to the ordinary man, to the common people.

The members of the Ways and Means Committee have made a great point of the fact that the automobiles use the roads. This chart shows that in the last six years, 1917 to 1923, \$589,000,000 was raised from these Federal war excise automobile taxes, whereas only \$265,000,000 was put back into Federal good roads.

Mr. GREEN of Iowa. Will the gentleman yield?

Mr. CLANCY. Yes.

Mr. GREEN of Iowa. The gentleman says only \$265,000,000; does he know of any other case where money has been spent for the special benefit of the parties who are taxed in that way? The fact of the matter is the automobile owners have just that \$265,000,000 advantage over anybody else.

Mr. CLANCY. The gentleman knows very well that these roads and the use of the automobile have developed property values along these roads at least 50 per cent. Why persecute the auto owner on that account?

Mr. OLDFIELD. In addition to what Mr. Clancy said, automobiles, trucks, gasoline, and oil are all paying for those roads.

Mr. SNYDER. Of course, the gentleman appreciates that all these automobile owners and users will participate in whatever other reductions there may be, aside from the taxes you have mentioned.

Mr. CLANCY. They do not get the direct relief they would get from an automobile tax reduction.

Mr. SNYDER. The reduction on candy and the other things you have mentioned also benefits the automobile user. I am somewhat in sympathy with the gentleman's argument about a reduction of the tax on automobile parts and replacements, but he must not overlook the fact that if either one of these bills goes through, the Mellon plan or the Garner plan, the man who uses an automobile will participate in the saving or reduction made.

Mr. CLANCY. The gentlemen of the Ways and Means Committee made a great point with the representatives of the automobile associations that they were to get a large benefit through the high surtax being reduced, presumably from 50 per cent to 25 per cent, and presumably upon the rich men of the industry, and that that reduction would filter through to the relief of the auto owner and user, but the gentlemen know that just as soon as the Ways and Means Committee brought their program for a 50 per cent reduction of the high surtax on the floor of the House it was killed, and now you are talking about a 37½ per cent surtax instead of 25 per cent. [Applause.]

I yield back the balance of my time.

The CHAIRMAN. The gentleman yields back one minute.

Mr. GREEN of Iowa. Mr. Chairman, I yield 15 minutes to the gentleman from New York [Mr. CROWTHER].

Mr. CROWTHER. Mr. Chairman and gentlemen of the committee, instead of a discussion along scientific and practical lines regarding taxation, during the last few days the debate has degenerated into personal attack and criticism of Republican

members of the Ways and Means Committee by the Democrats across the aisle. I think the attacks made on my colleague, the gentleman from New York [Mr. MILLS], were absolutely unwarranted. And, by the way, he does not need my defense; I hold no brief for him; he can take care of himself splendidly.

When I read in the RECORD the attacks made by the gentleman from Texas [Mr. GARNER], the gentleman from Mississippi [Mr. COLLIER], and the gentleman from New York [Mr. O'CONNOR] it seems to me that they are going far afield in developing what they consider a logical argument against the tax bill. Personally I think my colleague [Mr. MILLS] knows more about taxation than the great majority of Members on the Democratic side of the House.

This is not a matter of personal attack or the effect of the bill on an individual. This tax reduction is asked for along national lines, for the good of the country, and along non-partisan lines, as outlined in the first statement of the Secretary of the Treasury. But it is manifest that the minority are not concerned regarding the general welfare of the country, and intend to play politics to the limit and defeat the bill if possible, or else so cripple it with obnoxious amendments that it will be unsatisfactory to the American people.

The gentleman from Texas [Mr. GARNER] states that the Mellon plan does not help anybody except a few rich people, and that his plan will help 6,000,000 of the taxpayers. He forgets to inform us that the rates in his plan are so ill advised and ill considered that the result will be a deficit of between five and six hundred million dollars.

Mr. GARNER says he wants to be fair and that his every effort has been to expedite the passage of this bill, but the truth of the matter is that he does not care whether this bill is passed or not, because during all the time that he was expressing great interest in the passage of the bill he was getting ready to prepare the so-called Garner plan. That was his real objective while he was sitting with the committee as a member of the minority and practically the leader of the Democratic side. He prepared the substitute; I have it here, and the speech accompanying it contains some statements that are as misleading as they are amusing. In this speech of the gentleman from Texas, and it seems to be the type of statement you might expect from that source, evidently a case of exaggerated ego, he says:

The conclusion is apparent that only the Democratic Party can be relied upon to write sound, equitable, well-balanced tax legislation, avoiding extremes in either direction, but requiring the people to pay according to ability, and striving at all times to do justice to every class of taxpayers.

So the Democrats allocate to themselves, through their agent, Mr. GARNER, all the knowledge and wisdom necessary in preparing a sound tax measure.

Continuing, he says:

I obtained the following figures from the Democratic headquarters, which will visualize some of the outstanding features of the Mellon plan.

I do not know where "Democratic headquarters" are located, but if I had one guess I should say that it was Daniel C. Roper's office in Washington.

The gentleman from Mississippi [Mr. COLLIER] has also delivered his ultimatum in condemnation of the Mellon plan. He stated on the floor that some clairvoyant was supplying the estimates to the Treasury Department and by his statement he discredits the actuaries who have advised both Democratic and Republican officials of the Treasury when they severally were in power. Discrediting Republican policies and officials is not a new venture for the gentleman from Mississippi. He has posed as a clairvoyant on several occasions; his specialty being prophecy of dire disaster and distress, and the country's destruction, every time we pass a Republican protective tariff. Thus far he has made a dismal failure as a crystal gazer, but he is living in hope and I trust he may not die in despair.

The gentleman from New York [Mr. O'CONNOR] attempts to indorse Democratic procedure by a further attack on his colleague, Mr. MILLS, and in closing he says: "Now, gentlemen, I am sorry to have inflicted this on you." You will observe that he recognizes his speech as an infliction, and then he follows with this remarkable statement:

New York is not typified in its advocacy of the rights of its inhabitants by the gentleman from New York [Mr. MILLS].

Of course, this is a frank declaration that the gentleman from the sixteenth New York is the only simon-pure representative of the inhabitants of New York. He admits it.

He also charges the chairman, Mr. GREEN, with having received his inspiration for a 25 per cent reduction in 1923 taxes from the great Governor of New York. If the gentleman will look up the newspaper files for the last week of December, 1923, he will find that the recommendation for the tax-reduction program in New York State was outlined by Republican State Chairman George K. Morris in a statement given to the press before Governor Smith had suggested the reduction in his inaugural address. Stick to the facts, brother, and you will last longer with the folks at home.

Our folks at home must not lose sight of the fact that 60 per cent of their burden of taxation is composed of State and local taxes.

The revision of taxes during this Republican administration reduced the burden \$340,000,000 and the increased exemptions in the revenue act of 1921 relieved the great mass of our American workers from the payment of Federal tax.

The relief afforded in this measure will give an added impetus to industrial and agricultural activities. The best actuaries in the country have given us the benefit of their knowledge in careful estimates. I have great admiration for Secretary Mellon's ability as a financier. I believe he kept us from the dire disaster of a second period of deflation by his masterful handling of the Government's indebtedness. The only matter I disagree with the Secretary on is the fact that there are too many Democrats in the Treasury Department. When Democrats win they clean house and hang out a sign on which is printed "No Republicans need apply." But I am here as a Republican, believing in my party, proud of its ideals and attainments, and the tremendous factor it has been in making this the greatest and best country on earth, and I shall support the bill.

Mr. Chairman, the committee has given this bill careful consideration and has made a few changes in the plan as originally submitted.

The recommendation of the Secretary as to taxation of community property to the spouse having control of the income has not been adopted. Seven States enjoy a marked benefit under the existing law and I trust the subject may be taken up later for discussion. Mr. McCoy informed me that if the separate returns of man and wife were recognized as a joint return for the purpose of surtax assessment it would bring to the Treasury Department \$220,000,000 annually. This proposition is deserving of the serious consideration of the House.

The bill carries a reduction of \$108,000,000 on so-called nuisance taxes, and yet this will not satisfy everybody, as is demonstrated by the complaint that the automobile tax has not been removed. I favor a reduction in the tax on parts and accessories from 5 to 2½ per cent, and shall support such an amendment if offered.

I do not favor the excise tax except as a war measure and hope that in the near future we may be able to abolish it entirely.

The issue is squarely before the House—the Mellon plan or the Garner plan; the former prepared by the ablest actuaries in Government service, based on sound economic principles, giving an equitable degree of benefit to all the taxpayers, and producing revenue sufficient for the functioning of the Government. The Garner plan is simply a political hodgepodge, designed to muddle the situation, create dissension, and finally deny the relief demanded by the American people. The Democrats hope, with the aid of Republican insurgents, to defeat the Mellon plan and embarrass President Coolidge by their action. They will find before we are through with the question that the President is calm and clear-headed and is possessed of an abundance of gray matter that works in conjunction with a stiff backbone; and the folks at home, while not loudly demonstrative, are going to give preference to the policy of Calvin Coolidge as against the policy of "Mustang Jack" GARNER. [Applause.]

A careful analysis of the speeches made on the Democratic side evidences the fact that they have tried to express but one thought, and the gist of the combined arguments is contained in the sentence "Soak the rich."

The regrettable fact in connection with this whole subject of taxation is that with all the wealth of legal talent in the House and in the sanctum sanctorum at the other end of the Capitol and high-salaried legal advisers in the Treasury Department it seems to be impossible to so frame a tax law that will by its terms prevent legal avoidance. I quote from letter of Dr. T. S. Adams, professor of economics at Yale University and former president of the National Tax Association, addressed to Chairman GREEN of the Ways and Means Committee of the House:

• • • If the new income tax—the income tax of 1924—fails to reach and actually tax the rich taxpayers, whose fault will it be? Who will be responsible for the further degradation of the income tax?

We shall not be able to blame the rich. They escape, for the most part, by legal avoidance, not by illegal evasion. Few people, rich or poor, pay taxes which they can lawfully avoid. We shall not be able to blame the administration if the tax law carries rates which Secretary Mellon and his Democratic predecessors have said it is impossible to collect in times of peace. Secretary Mellon will have a perfect alibi. But he has stated as his opinion that a maximum surtax of 25 per cent will reverse the tide of avoidance and permit the income tax to be creditably, if not perfectly, administered. Under such circumstances is it not the wisest thing for those who genuinely care for the future welfare of the income tax to take Secretary Mellon at his word? Give him the 25 per cent maximum which he requests, and then hold him and his administration responsible for the results.

In the name of political honesty, what difference does it make whether the maximum tax be 65 per cent, 45 per cent, or 35 per cent if such rates will not be collected in a dwindling minority of cases?

I trust that good judgment and common sense will prevail during the final vote, and that the so-called insurgents will stand by the party whose banner they at least pretend to carry.

The Democrats will not support the Frear plan, indorsed by you so-called progressives, but they will use your votes to defeat the Republican side of the House. You are creating a Democratic majority in the House, which is an unjustifiable procedure and an affront to the President.

The people of this country have faith in Calvin Coolidge, the President of the United States. Let us vote as Republicans on this bill that the country may renew its faith in Congress. [Applause.]

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. COLLIER. Mr. Chairman, I yield five minutes to the gentleman from New York [Mr. JACOBSTEIN].

Mr. JACOBSTEIN. Mr. Chairman, I am going to vote for tax reduction, but with my eyes open. I shall neither delude myself nor deceive the people into believing that the contemplated tax reductions will lower the general level of prices and thereby reduce the cost of living.

By radio and on the movie screen people have had it dinned into their ears and eyes that the Mellon plan will reduce the cost of living. The President of the United States was himself a victim of the vicious propaganda. In his New York City address on Lincoln Day he stated:

I am for it [the Mellon plan] because it will reduce the cost of living.

Nothing can be further from the truth. It is calculated to deceive, as it must ultimately disappoint, the mass of people by filling their hearts with fond hopes and sweet dreams of lower living costs which can not be realized. This fallacious and mischievous political buncombe is in the same class with that stuff which was handed to the American voters in the fall campaign of 1920. When the awakening came, both for city worker and the farmer, a political upheaval came naturally enough, and with withering effect in the fall of 1922.

With this lesson in mind, I want to place myself on record that in voting for tax reduction I do not believe this reduction will be accompanied by any lowering of the general level in the cost of living.

If Mellon had really wanted to lighten the burdens of the mass of people by the lowering of prices of commodities which enter into the cost of living he should have recommended either an elimination or a reduction in some of the excessive and exorbitant tariff rates. An elimination or a substantial reduction in tariff rates on a few substantial articles like sugar and woollens would have conferred more benefit upon the worker and the farmer than the entire effect of the passage of the Mellon plan in toto.

It is impossible to believe that a reduction in the personal income tax, including the surtax, can have any effect on the sales price of commodities or upon services from which the income is derived. Is there anyone here who will believe that the price of food, clothing, rent, gasoline, or the fees of the lawyer, doctor, or dentist will be reduced in the slightest degree by virtue of a reduction in the taxes that are going to be paid on personal incomes? Certainly no economist and no tax expert of note believes this. I am confident that the tax expert who advised Mr. Mellon in the drafting of his plan had no such delusions.

Since two-thirds of the entire amount to be saved to the taxpayer will be effected by a reduction of rates on personal income, we must conclude that very little is left to trickle back to the consumer.

The remaining one-third to be released by the reduction in taxes will be effected through the elimination or the reduction

in specific excise rates, rates affecting a very few industries—telephone, telegraph, candy, amusements, and a few others. How much of this reduction will be passed along to the ultimate consumer it is difficult to state. But even admitting that most of it will be returned to the consumer, how little is this total item in comparison with the total amounts of money spent by these consumers on the necessities and the luxuries of life.

The chief beneficiaries of the tax-reduction program will be those who will have their personal income tax bills reduced. This being so, I am going to vote for that bill which will spread the benefits among the greatest number of taxpayers. I am more interested in helping the man at the bottom rather than hurting the man on top. For this reason the Garner plan and the Frear plan appeal to me as offering more relief to the greatest number of people, especially at the bottom.

I believe relief also can be given to the small business man by a revision of our corporation income tax law. I believe the uniform flat rate of 12½ per cent on net incomes of corporations works to the advantage of those concerns making large rates of profits and hurts the business man, small or large, who makes less than a normal rate of profits. My colleague, Mr. OLDFIELD, has called attention to the injustice of this situation. Mr. FREAR has promised to introduce an amendment to the present bill touching this provision. I hope his amendment will provide a schedule of graduated rates based upon and varying with rates of profits as related to invested capital. This, in brief, would be applying the sound and accepted principle of a progressive graduated income tax to corporation income.

When the amendment suggested is proposed, I shall enter into a discussion of the technical aspect of this question.

I wish to conclude by repeating that I shall vote for tax reduction with the belief that its chief beneficiaries will be those who now pay personal income taxes. There will be no reduction in the cost of living for the masses. [Applause.]

Mr. COLLIER. Mr. Chairman, I yield two minutes to the gentleman from Florida [Mr. SEARS].

Mr. SEARS of Florida. Mr. Chairman, before I begin my remarks I ask unanimous consent to extend my remarks in the Record by inserting therein a copy of a letter I wrote to the Palm Beach Post, an editorial from the Post, a copy of letter received from a trust company of New York, together with copies of propaganda sent out with said letter, and a copy of the ballot in the Literary Digest and some remarks about it.

The CHAIRMAN. There was general leave granted to all Members to extend their own remarks in the Record, but the Chair believes that this does not come under that general leave. The gentleman from Florida asks unanimous consent to extend his remarks in the Record by including therein certain letters to which he has referred. Is there objection?

Mr. GREEN of Iowa. Reserving the right to object, Mr. Chairman, will the gentleman state what that matter is?

Mr. SEARS of Florida. The letter that I wrote to the Palm Beach Post, an editorial in the Palm Beach Post, the ballot that is being sent out by the Literary Digest, and a copy of letter received from a New York trust company, together with copies of propaganda sent out with said letter. I could take up your time and read these, and I therefore trust the gentleman will not object.

Mr. GREEN of Iowa. The editorial, I think, ought not to go in.

Mr. SEARS of Florida. Very well. I will leave the editorial out, as it is covered in my letter. The rest goes in.

The CHAIRMAN. With the modification suggested, is there objection?

There was no objection.

Mr. SEARS of Florida. I would like to ask the gentleman from Mississippi a question. As I understand it, the Republicans drew this bill; or I should say Mr. Mellon drew this bill?

Mr. COLLIER. That is my understanding.

Mr. SEARS of Florida. I understand the Democratic members were not permitted to participate in the consideration of the bill.

Mr. COLLIER. We participated in it to some extent.

Mr. SEARS of Florida. As I understand it, on the last day there was a motion to report the bill out, and you were permitted to be there then but not permitted to offer any amendments.

Mr. COLLIER. Yes.

Mr. LONGWORTH. Mr. Chairman, will the gentleman yield right there?

Mr. SEARS of Florida. Yes.

Mr. LONGWORTH. Of course, I was not present, but is it not a fact that the Democratic members were not debarred

from participation in the consideration of any part of the bill except that part which related to the surtax?

Mr. COLLIER. Practically.

Mr. SEARS of Florida. My colleague from New York who just spoke and defended his Republican colleagues said my good friend Mr. GARNER, the gentleman from Texas, was busy drawing a bill instead of helping to pass a bill. I hold no brief for Mr. GARNER. He can take care of himself. I will say this, although he is the ranking Democratic member of the Ways and Means Committee, he and his Democratic colleagues and members of said committee were not even permitted to attend many meetings of the committee. Yet you say we have made this a partisan and political question. The gentleman from Texas, if my memory is correct, tried several times to secure information from the Secretary of the Treasury but could not do so. In view of the above, I know the people of the country will commend him for his efforts in their behalf and not condemn him.

Let me also call the attention of my good friend to the fact that the President of the United States, speaking in New York, appealed to the people to favor the Mellon plan and force Members of Congress to vote for that plan. His speech was broadcast over the radio and was also in the press. Now, the press does not often intentionally mislead the people. I know newspaper men, and 98 per cent of them are honest and fair. I used to write heavy editorials [laughter] and I never deliberately misled the people.

I am sorry the "rebel yell" disturbs my friend from New York. I believe the "rebel yell" disturbed the Germans when the boys from the South helped the boys from the North, East, and West break the Hindenburg line, and I believe that my good friends from the North who have gone down into my district have not forgotten what the boys of the South did during the war. While down at the War Department a few days ago I saw a picture, and on it was "The Yanks never forgot how to sing at Verdun." I know many southern boys were there. [Applause.]

Mr. Chairman, the following is, in part, the letter I referred to and which sets forth my attitude on this bill. It is self-explanatory and needs no further explanation on my part:

FEBRUARY 9, 1924.

HON. D. H. CONKLING,
West Palm Beach, Fla.

MY DEAR MR. CONKLING: I have before me the Palm Beach Post of the 6th instant, and I have just read with a great deal of pleasure and interest your editorial "Which do the people want?" referring to the tax bill which will be introduced some time next week.

I was wondering if there was anything in mental telepathy, for the editorial is, in part, what I have been writing to my friends throughout the district. The Post has always been very friendly to me, and I appreciate the editorial, which, although you did not know it at the time, indorses the attitude I have taken. I am quoting you, in part, in a letter which I have written to several of my friends. Of course, you can readily understand, having been swamped with propaganda to support what is known as the Mellon plan, it is impossible for me to go into detail in writing everyone, for if I did I would not have time to do anything else. Quoting from the letter, in part, as follows:

"I have simply been swamped with telegrams and letters from all over my district urging me to support the Mellon plan. I also see by the papers where the Assistant Secretary of the Treasury spoke at Baltimore urging the Mellon plan but did not give any specific reasons why the particular plan should be adopted, except unless the Mellon plan was adopted the initiative of the rich would be stifled and killed. The other night I listened in over the radio to the Undersecretary of the Treasury give out a speech which went throughout the country, but he did not go into the facts and figures.

In the Cleveland Times of January 25, 1924, there are four entire pages of advertisements advocating the Mellon plan, and in said advertisement I note the following: "This body (Ways and Means Committee), of which 12 are Republican and 7 Democratic, is now discussing the plan in detail. Many changes and amendments are being suggested by political opponents of Mr. Mellon and President Coolidge."

I have endeavored to secure from my friends in Florida who have written me advocating the Mellon plan the information upon which they reached the conclusion, in order that I would be in a position to intelligently argue the question before the House when the bill is reported. Let me call your attention to the fact that Congressman GARNER of Texas, the ranking Democrat on the committee, stated on the floor of the House that he had repeatedly requested and practically demanded from the Secretary of the Treasury certain information relative to the Mellon plan, but he had been unable to secure any information. Let me further call your attention to the fact that there are 26 members of the Committee on Ways and Means instead of 19, as stated

in the article referred to, but a mere matter of 7 members does not make very much difference with some who charge that the political opponents of Mr. Mellon and Mr. Coolidge would go to any extreme to accomplish their object. Let me further call your attention to the fact that the press quotes the chairman of the committee, who, of course, is a Republican, as saying the Republicans would prepare their own bill. Let me further call your attention to the fact that Congressman LONGWORTH, Republican leader in the House, in a recent interview gave out a statement that the Mellon plan would be modified, and unless modified could not be passed by the Republicans, who are in control, so you see the Republicans have abandoned the plan and therefore, I presume, are also the political opponents of the department.

YOUR EDITORIAL PRACTICALLY MY LETTER.

I have before me a comparative statement of the Garner and Mellon plans prepared by the Democratic National Committee, which shows under the Mellon plan of the 42,249 in Florida making income-tax returns, only 28 would be benefited, while under the Garner plan 42,221 would be benefited. If these figures are correct, knowing you as I do, I know it is needless for me to ask the question, Which plan would you be for?

The tax question is no new idea with me, for while home this summer I spoke at Melbourne, West Palm Beach, Homestead, and other places in my district and emphatically stated there must be a reduction of taxes—city, county, State, and National—as the people could not much longer bear up under the load. While I do not believe it is necessary to refresh your mind, I am satisfied you have not forgotten that more than a year ago while talking over various matters with you I made the same statement.

I am not committing myself to any plan, because I do not know what plan will finally be submitted to Congress, and certainly you and my friends would not ask me to commit myself to a bill until I know just what the bill contains and what the hearings are. I assure you I shall only vote for such plan as will give the greatest relief to those most entitled to it.

Now, I sincerely trust you will not construe this letter as a complaint from me because of the passage of these resolutions, for I know my friends are just as sincere as I am, and I have written this letter solely hoping I might secure some information on the Mellon plan and also upon what information the resolutions were passed. I always invite advice from my friends, because in dealing with such great questions as the above one can not get too much information.

I am inclosing for your consideration several copies of the Garner speech, which compares the Mellon plan with the Garner plan, and would like for you to read the same over and write me just what you think of it.

The press has stated Members of Congress have been polled pro and con on this question, but I desire to assure you as far as I am concerned such is not the case, and I presume such is not the case with many Members on both sides.

From my colleagues I understand the few meetings of the committee the Democratic Members have been permitted to attend were in executive session, and I have therefore been unable to secure any information, and if a Member of Congress who is responsible to so large a constituency can not secure the information I am wondering why there is such a propaganda for any plan and why so much money is being spent in an effort to educate the people to support the proposed plan of Mr. Mellon and facts relative to any changes are withheld from the people. I have nothing against the rich, but you know as well as I do that Uncle Reuben can not pay for an advertisement in any way approaching the amount which is being spent for the purpose of advocating the Mellon plan, and he simply has to rely on his Representative to do the right thing.

No doubt you recall the talks I made at West Palm Beach, in which I referred to the tax question and also our conversation.

Let me assure you and the readers of the West Palm Beach Post I shall carefully study the bill when it is reported, and I trust my vote will meet with the approval of my constituents.

Trusting you and yours are well, and with warm personal regards, I am,

Very sincerely,

W. J. SEARS, Member of Congress.

I also desire to call your attention to the ballot which was published in the Literary Digest, and let me particularly call your attention to the reading of the ballot. You will note the ballot is so worded as to appeal to those who are opposed to the bonus as well as those who are in favor of tax reduction, and that there is no way to tell who signs the ballot. I have carefully read the article in the Literary Digest of February 2, 1924, and am frank to confess I do not find any explanation of the Mellon plan, although it would appear that the press has been able to secure information which Members of Congress have not been able to secure. The ballot is as follows:

First returns in "The Digest's" 15,000,000 poll.

SECRET BALLOT—No SIGNATURE—No CONDITION—No OBLIGATION—JUST MARK AND MAIL AT ONCE.

Do you favor the Mellon plan for tax reduction?
Secretary Mellon says his plan can not be carried out if the bonus to ex-service men is paid.

Yes.

If you do favor the Mellon plan mark a X under "Yes."

No.

If you oppose the Mellon plan mark a X under "No."

To assist in tabulation by States, please write the name of your State here:

FACSIMILE OF THE CARD THAT CARRIES THE VOTE.

Approximately 15,000,000 of these ballots have been mailed in separate envelopes, each bearing a 1-cent stamp to prepay return postage. The card is pictured here only to illustrate how the vote was taken, and can not be used as a ballot.
Not for use.

Under the permission granted me, I am also printing a letter received from one of the trust companies of New York. I am leaving the name of the company blank because I have always felt it was not proper to simply strike at one individual when perhaps others were equally involved. Perhaps, in taking this attitude, I am wrong, but until I am convinced I am in error I shall not change my policy. The letter follows:

THE ——— TRUST COMPANY OF NEW YORK,
New York, January 18, 1924.

HON. WILLIAM J. SEARS,
House of Representatives, Washington, D. C.

DEAR SIR: We take the liberty of inclosing a copy of a communication which we recently sent out to stockholders and employees of this institution, with an accompanying form, as well as a copy of a letter to the Senators of your State, both of which are self-explanatory. The latter states the reason for our handling the situation as we have.

You will recognize, naturally, that our sole object is the patriotic one of endeavoring to be of assistance in promoting the welfare of the country.

Very truly yours,

Let me further call your attention to the printed letter which has evidently been mailed out by the thousands, judging from the number I have received, to Members of Congress urging them to support the Mellon plan, but giving no information as to what the Mellon plan is:

DECEMBER —, 1923.

To the Congress of the United States:

I respectfully request and urge Congress to take a persistent and aggressive stand for lower Federal taxes and to support a tax reduction plan substantially along the lines recommended in letters dated November 10 and December 17, 1923, from the Hon. Andrew W. Mellon, Secretary of the Treasury of the United States, to the Hon. WILLIAM R. GREEN, acting chairman Committee on Ways and Means of the House of Representatives; and to refrain from voting in favor of any legislation which will interfere with the carrying out of such tax reduction program.

(Name)

(Address)

You will note all the party has to do is to sign the printed letter and mail it to his Congressman. I have received many of these letters during the past few weeks and I can only account for it because the people are staggering under a load of taxation which they can not much longer stand and are willing to take any plan which will give them some relief and their mind being in this condition, they are liable to ask Members of Congress to vote for a bill which will give them practically no relief.

Under the leave granted me, I am also printing the circular letter which accompanied the printed letters, which is supposed to thoroughly explain the Mellon plan but I am frank to confess no explanation is contained in same:

NEW YORK, December 24, 1923.

In common with financiers and economists, as well as heads of all large corporations and enterprises in this country, your officers have been concerned for some time past with the high rates of Government taxation, and with the bad effect which they have had upon business enterprise in general. We believe that there must be a substantial reduction in our Federal taxes in order to maintain the present business of our country on a sound economic basis, and en-

courage the proper development of new enterprises, so vital to our national progress.

The Mellon plan proposes substantial reductions in the taxes of all, and is, in our opinion, thoroughly sound in principle and would be effective in practice. The press of the day has devoted so much space to it, and the discussions of it, both in public speeches and otherwise, have been so general that we assume your acquaintance with its provisions, and therefore deem it unnecessary either to reprint it in full for your perusal or to argue in its favor. The approbation of it, so far as we are informed, has been almost universal. It possesses the exceptional advantage of being purely economic in its effects, and nonpartisan from a political point of view. Moreover, the interests of our stockholders and employees in it are identical. Indeed, if anything, it is of even greater interest to so-called "labor" than to so-called "capital" in that it affects "labor" both directly through the reduction of a tax on all incomes, as well as indirectly in creating encouragement to enterprises by which additional labor may be employed.

If Congress is sufficiently impressed with the demand on the part of the people of the United States for the enactment of this legislation, it will be certain to be put into effect. If, therefore, you are in sympathy with the tax-revision plan so ably presented to Congress by the Secretary of the Treasury, and agree with us that it is important to have the Federal tax laws revised substantially as recommended in the Mellon plan, we suggest that you sign the enclosed letter addressed to the Congress of the United States, and return it to us in the enclosed, stamped envelope for forwarding to Washington.

Mr. Chairman, this matter has been thoroughly and fully discussed by Members of the House and I do not see why I should further encumber the Record by extending my own views and I simply make the prediction when the people thoroughly understand the question you will find a complete reversal and that instead of requesting us to support the Mellon plan, they will commend us for the stand we have taken.

The CHAIRMAN. The time of the gentleman from Florida has expired.

Mr. GREEN of Iowa. Mr. Chairman, I yield two minutes to the gentleman from Connecticut [Mr. FENN].

The CHAIRMAN. The gentleman from Connecticut is recognized.

Mr. FENN. Mr. Chairman, in response to some remarks of my friend from Alabama [Mr. STEAGALL], I want to read a letter which I have received. I read:

CONNECTICUT GENERAL LIFE INSURANCE CO.,
Hartford, Conn., February 14, 1924.

Hon. E. HART FENN,

House of Representatives, Washington, D. C.

DEAR SIR: In the remarks of Mr. STEAGALL, as printed on page 2146 of the CONGRESSIONAL RECORD of February 8, I notice the following statement:

"Under the law now existing—and it is not proposed that it shall be changed—no income taxes are levied on the savings banks and old-line insurance companies."

It does not appear to me that such a statement, which is unwarranted by the facts, should go unchallenged since, as reference to sections 242-247, inclusive, of the revenue act of 1921 will show, the net income of the old-line life insurance companies is taxable at the rate of 12½ per cent, just as is the net income of other corporations.

Yours truly,

R. H. COLE, Vice President.

Mr. GREEN of Iowa. Mr. Chairman, is the gentleman from Mississippi [Mr. COLLIER] ready to use some of his time?

Mr. COLLIER. I yield five minutes to the gentleman from Alabama [Mr. HILL].

The CHAIRMAN. The gentleman from Alabama is recognized for five minutes.

Mr. HILL of Alabama. Mr. Chairman, there has been much discussion of the bill under consideration. It is a voluminous measure, and its great importance to the Government and to the people warrants much discussion. In the limited time of five minutes allotted me I wish to talk to you on what I consider the most unjust tax in the whole bill. I refer to the tax on motor cars and motor trucks and tires and accessories, and particularly as this tax burdens the farmers of the country. The proponents of this bill attempt to justify this tax on the ground that the Federal Government expends millions of dollars each year on good roads, and that this tax should be levied to take care of that expenditure. Last year this tax brought into the Federal Treasury the sum of \$144,280,490.28, and the Government of the United States expended from the Federal Treasury for good roads only one-half of this amount, or, in round figures, the sum of \$72,000,000. Only 50 per cent

of the money derived from this tax is needed for the good roads, but the majority members of the Ways and Means Committee refuse to vote for a reduction of this tax, refuse to give any relief to the farmer. The majority members of the committee do vote to take the tax off of such luxuries and semi-luxuries as yachts, and candy, and bowie knives, and electric fans, and dirks, and soda water, and motor boats, and trunks, and purses, and valises. We must recognize that the automobile is not a luxury. It has become to-day an economic necessity. Our economic life has closed in on it and made it a part and parcel of that life. It is a link in the great economic chain. As the late President Harding said in his first message to Congress, "The motor car has become an indispensable instrument in our political, social, and industrial life." Certainly it has become an indispensable instrument to the farmer. It has taken the place of his wagon and his horse. It is the conveyance by which he gets his products to market. It is the conveyance by which he gets from market the commodities which he does not produce and which he must have for sustenance and for life. It carries his children to school on the week day, and it carries him and his family to divine worship on Sunday. There is no commodity in American life to-day that is taxed so much and so high as is the motor car and motor truck. The number of taxes imposed upon the motor car and motor truck varies in the different States from 6 to 14. There are the Federal taxes, State taxes, county taxes, municipal taxes. There are license, registration, property, and gasoline taxes.

Last year the farmer paid as Federal tax on motor cars and motor trucks the sum of \$45,864,200. He paid on parts and tires the sum of \$9,281,250. This tax on parts and tires is well named the misfortune tax. It comes in large measure from rough roads and bad highways. All together the farmer paid last year under the Federal tax on motor cars and motor trucks and parts and tires the sum of \$55,145,450.

Does he need relief to-day from these taxes? In my section of the country, in the South, the farmer made practically no crop this past year. The boll weevil ate up his cotton and left him in a distressing condition. He is not only not able to pay this Federal tax—he is not able to pay the interest on the money which he borrowed to make the crop which the boll weevil ate up.

What is the condition of the farmer of the West? Is he able to pay this tax? Farmers were 47 per cent of all the persons adjudged bankrupt in Idaho in 1922. They were from 32 per cent to 78½ per cent of all the formal bankrupts in Iowa, Nebraska, Kansas, Colorado, North Dakota, South Dakota, and Montana. Preliminary reports, says Secretary of Agriculture Wallace, indicate that the bankruptcy of farmers for the fiscal year ended June 30, 1923, will materially exceed those of 1922. Yesterday morning's Washington Post carried the statement that the cost of producing hard spring wheat in the United States last year ranged from 85 cents to \$2.19 a bushel, while in Canada it ranged from 53 cents to \$1.19 a bushel. Last year it cost the American farmer a dollar more a bushel to produce hard spring wheat than it did the Canadian farmer. The trouble with the farmer to-day is the high cost of production, and it is just such items of cost as this tax on his truck that makes that cost so high. Should he have relief? He is the mud-sill of our economic life and we must recognize the fact that if he fails, we all fail; if he prospers, we all prosper. Is he entitled to relief? Last year the average citizen of this country paid 12.5 per cent of his income for taxes, while the farmer paid 16.6 per cent of his income for taxes. The farmer paid last year 4.1 per cent more of his income for taxes than did the average citizen of the country. Is it practical to give him relief? He paid \$55,145,450 out of his pocket last year under this tax, and \$72,000,000 went into the Federal Treasury under this tax that was not needed to meet the Federal expenditures for good roads. This tax is unjust; it is unfair; it is discriminatory; it is un-American.

Let us recall the words of Daniel Webster: "Farmers are the foundation of civilization and prosperity. The farmer must always be the foundation, but that does not mean that he must be kept beneath the surface." Let us give the farmer relief from this iniquitous tax. [Applause.]

The CHAIRMAN. The time of the gentleman has expired.

Mr. COLLIER. Mr. Chairman, I yield to the gentleman from Texas [Mr. JOHNSON] so much time as he may desire.

Mr. JOHNSON of Texas. Mr. Chairman, I shall not detain the committee at this time, on account of the limited time allotted for debate, in setting forth my reasons for supporting the Garner plan.

Mr. COLLIER. Mr. Chairman, I yield five minutes to the gentleman from Missouri [Mr. FULBRIGHT].

The CHAIRMAN. The gentleman from Missouri is recognized for five minutes. [Applause.]

Mr. FULBRIGHT. Mr. Chairman and gentlemen of the committee, the question of taxation is a most important one. There never has, nor will there ever be a time when the question of taxation will not rise above the dignity of the average subject of legislation. At this time it is a question that I might say is of paramount importance. The Nation is staggering under the burden of taxation and cries for relief are heard in every direction. Relief by Congress can only be given in part. Local taxation, such as city, county, and State, are sources of taxation that do not come within the jurisdiction of Congress, and therefore relief from taxation of this character is not within our power. I refer to this because of the fact that propaganda in favor of the so-called Mellon plan has been so misleading as to leave a false impression, more or less, throughout the Nation.

There are two outstanding plans of tax reduction now pending before Congress. The so-called Mellon plan and the Garner plan. But little publicity has been given to the Garner plan. The Metropolitan press has not seen fit to carry the outstanding features of the Garner plan to the people throughout the country. On the other hand a flood of propaganda, insidious and misleading in its character, was sown broadcast throughout the country, and a sentiment developed in its favor before the provisions of the Mellon plan were made known to any substantial number of the Members of Congress. The metropolitan press, the great money interests, the manufacturing interests, the oil interests, and special privilege assumed the leadership in spreading this propaganda. So misleading have been the efforts to spread propaganda in behalf of the Mellon plan that hundreds of thousands of farmers, laboring people, and small business men throughout the country, who have never paid an income tax, have been led to believe that the adoption of the Mellon plan would mean a direct reduction of their taxes. This erroneous impression must and will be removed. The person who pays no income tax receives no reduction in taxes under the Mellon plan. The farmer, unless he be an income-tax payer, receives no reduction. The laboring man, unless he be an income-tax payer, receives no reduction. The small business man, unless he be an income-tax payer, receives no reduction of taxes. As a matter of fact, the farmer to-day is operating at a loss, is facing bankruptcy, and thousands are being forced to leave the farm to make a living. In every community farms are being abandoned, improvements are deteriorating, and the numerous foreclosures of farm mortgages indicate an alarming condition. Yet, what is being done to grant him relief? The object of the legislation under consideration, in the main, is a reduction of income taxes.

In this connection a comparison of the two plans becomes pertinent. Based upon the latest available statistics from the Treasury Department, being for the year 1921, we find 6,662,176 persons throughout the United States paid Federal taxes. Of this number 9,343 persons receive a greater reduction in taxes under the Mellon plan than they would receive under the Garner plan, while on the other hand 6,652,833 of those persons who paid a Federal tax would receive a greater reduction under the Garner plan than they would receive under the Mellon plan. Therefore, this question presents itself: Should we vote in favor of the 9,343 who receive the greatest reduction under the Mellon plan or should we vote in favor of the 6,652,833 who receive the greatest reduction under the Garner plan?

I also find from statistics furnished by the Treasury Department that of the 6,662,176 persons who paid this Federal tax 172,519 paid their taxes in the State of Missouri. Of this 172,519 who paid a Federal tax in Missouri 169 will receive a greater tax reduction under the Mellon plan than under the Garner plan than they would receive under the Mellon plan. Again the question, should we, who have the honor of representing the State of Missouri, vote in favor of the 169 who receive a greater tax reduction under the Mellon plan than under the Garner plan or should we vote in favor of the 172,350 taxpayers who receive a greater reduction under the Garner plan than they would receive under the Mellon plan?

There are 16 congressional districts in the State of Missouri, and no doubt the great majority of the income-tax payers reside in the cities of St. Louis and Kansas City. However, disregarding that fact and taking it for granted that the 169 taxpayers who receive a greater reduction under the Mellon plan than they would receive under the Garner plan are distributed equally in the 16 congressional districts, we would find approximately 11 taxpayers in each congressional district who

would receive a greater tax reduction under the Mellon plan than under the Garner plan. On the other hand, if the 172,350 taxpayers in the State who receive a greater tax reduction under the Garner plan than they would receive under the Mellon plan be distributed equally throughout the 16 congressional districts, we would find approximately 10,771 taxpayers in each congressional district who would receive a greater tax reduction under the Garner plan than they would receive under the Mellon plan. Again the question, Should a Representative in Congress from the State of Missouri, trying to represent his constituents, vote in favor of the 11 taxpayers in his district who would receive a greater reduction under the Mellon plan than they would receive under the Garner plan or should he vote for the 10,771 taxpayers in his district who would receive a greater tax reduction under the Garner plan than they would receive under the Mellon plan?

In my district, almost exclusively an agricultural district, I am convinced that there is not a taxpayer who would receive a greater tax reduction under the Mellon plan than he would receive under the Garner plan. On the other hand, I am quite sure that every taxpayer in my district who would be affected by either plan would receive a greater reduction in his taxes under the Garner plan than he would receive under the Mellon plan. In view of this fact, how should I vote as a Representative of the fourteenth congressional district of Missouri when it is reasonably certain that every taxpayer in my district who would be affected by either plan would receive a greater reduction in taxes under the Garner plan than he would receive under the Mellon plan? It is obvious that there can be but one answer.

We are told, however, that the Garner plan is unscientific and not economically sound. I reply that it is based upon the most recent available statistics from the Treasury Department. While, if the statement of the gentleman from New York [Mr. MILLS] be true and the statement of Mr. McCoy, the expert who appeared before the Ways and Means Committee, be true, I am impressed with the fact that the Mellon plan is visionary, based upon speculation, guesswork, and the prophecy of an expert as to what may take place in the future. We are told by Mr. Mellon that the Garner plan is political and that its proponents are not sincere. In reply to which I desire to say that such cheap talk will not deter me from voting as my conscience dictates and in the interest of the people whom I represent. Had I any desire to resort to his kind of argument and tactics, I might say that it is selfish on the part of the great Secretary of the Treasury, Mr. Mellon, to propose a plan of taxation which would relieve himself of anywhere from one to two million dollars in taxation, while the person of small means and without income receives no reduction.

Under the present tariff act, as "sop" to the farmer, paragraph 1504, schedule 15, under title 2, placing agricultural implements on the free list, was inserted, but said paragraph closes with the following provision:

Provided, That no articles specified by name in title 1 shall be free of duty under this paragraph.

By reference to title 1 we find that everything of any particular value whatever that goes into the make-up of any kind of an agricultural implement is subject to a high and excessive tariff. In fact, with the exception of some of the wooden parts, nothing out of which the farmers' agricultural implements are made escapes the tariff. Substantially everything that the farmer uses, eats, or wears bears the burden of a heavy tariff, and if he is to get any substantial relief from Federal taxation it must come through a revision of the tariff.

An article in the American Farm Bureau Federation Weekly News Letter of January 11, 1923, after an exhaustive discussion of the present tariff act in its relation to the farmer, summarized the situation as follows:

Gross cost to the farmers (of the tariff).....	\$426,000,000
Gain to farmers as producers.....	125,000,000
Net cost to agriculture (of the tariff).....	301,000,000

Thus, from this, to my mind, the most reliable source of information we have, the American Farm Bureau Federation, we find an annual toll of over \$300,000,000 being extracted from farmers of the Nation as a result of the tariff.

The total value of farming implements and parts imported into the United States for the year 1922 was \$2,109,391 as shown by the Annual Report on the Foreign Commerce and Navigation of the United States. Therefore the cost of the tariff to the farmer amounts to almost 150 times as much as the total value of agricultural implements shipped into the United States under the so-called free list, and almost \$300,000,-

000 more than he gains as a producer and the total value of imported agricultural implements combined. Now, the individuals who are thus permitted to exploit the farmer under the tariff act are the same individuals who are especially favored under the provisions of the Mellon plan. Therefore, I can not take my medicine just as Mr. Mellon would administer it, and seriously doubt the virtue of the remedy he prescribes.

On last Thursday the gentleman from New York [Mr. MILLS], in criticizing the tactics of the Democrats, made this statement: "You gentlemen are bound to take judicial notice of the existing state of affairs, and you gentlemen know, as I believe I know, that when the critical moment in this battle comes some twenty or more gentlemen who were elected as Republicans will leave the Republican side and walk over in a body to the Democratic side, so that you will be the majority party. You will become the majority party at that critical moment, and, therefore, yours is the responsibility to see that no bill passes this House which does not make suitable provision for the fiscal needs of the Treasury." He thus admits that he is whipped in his own party and attempts to shift the responsibility. But to whom does the gentleman refer? Who are the deserters? We are told that Mr. LONGWORTH, the majority leader, has run away from the Mellon plan; is he leading this twenty or more gentlemen to whom Mr. MILLS refers? Mr. GREEN, chairman of the Ways and Means Committee, denies that he knows anything about "running," but it seems that he has left Mr. Mellon and is safely entrenched behind the breastworks of a 35 per cent surtax; is he the leader of the twenty or more to whom the gentleman from New York refers? We are told that the gentleman from Ohio [Mr. Begg] is making a survey of their demoralized forces. Perhaps he will soon be able to tell us just how many detachments are fleeing from the Mellon plan on the other side of the House, who they are, and in just what direction they are going. Regardless of the chaotic conditions that exist, I hope, Mr. Chairman, that we, as the Representatives of the people in this great Republic, may be able to get together on a plan fair and just, in so far as possible, to all the people, courageously discharge our duty by promptly passing it, uninfluenced by political expediency, but actuated solely by a desire to grant relief to all the people of the whole country. [Applause.]

Mr. GREEN of Iowa. Mr. Chairman, I yield 30 minutes to the gentleman from Ohio [Mr. BURTON.] [Applause.]

The CHAIRMAN. The gentleman from Ohio is recognized for 30 minutes.

Mr. BURTON. Mr. Chairman, there is a fallacy, I may even call it a delusion, which has a strong hold on the popular thought. It is that the final burden of taxation rests upon those who make the first payment to the tax collector. This erroneous impression is a fruitful source of waste, of extravagance, and of injudicious expenditure. It promotes class hatred, because the unthinking, many well-disposed persons, and all demagogues, make the appeal to the people that the taxes which are levied shall "soak" the rich. But I lay down the proposition that the general tendency of all taxes is toward diffusion over all members of the body politic in general proportion to their consumption. To this there are, it is true, exceptions, which I shall seek to point out.

It was the opinion of most of the leading economists that there was a shifting of taxation from those who originally paid and that the final incidence was upon all. On this subject, so long ago as the year 1667, Sir William Petty wrote, and he used this homely illustration with reference to the land tax:

It is not only the landlord pays, but every man who eats an egg or an onion of the growth of his lands, or who uses the help of an artisan, which feedeth on the same.

And further he said that any tax "doth ultimately fall upon the consumptioners."

Another writer, of a somewhat later period, maintained that although makers or factors of commodities advance the money they really shift the tax to the public without the latter being aware of it.

The philosopher, John Locke, something over 200 years ago, maintained that even if all taxation were removed from land the ultimate result would be that landowners would bear an even larger burden because of the greater difficulty of levying a tax on personalty, and that as a result—as it was true that profits must be equal—the tax levied on other objects would be shifted to the land and the burden be heavier than before.

The great economist, Adam Smith, somewhat modified the doctrine of diffusion. He maintained that a tax on land rent falls on the owner, for the farmer computes as well as he can what the value of the tax is one year to another likely to

amount to, and he makes a proportionable abatement in the rent which he agrees to pay to the landlord.

The whole theory was based on the idea that land is a fixed and invariable quantity. The error in that opinion can be clearly shown when we take into account, as in our own country, the great amount of available land which may be taken up and, another more important factor, the possibility of improving the quality of land and increasing its productive capacity.

Adam Smith made a distinction in the case of a tax on house rent, maintaining that there was a division into building rent and ground rent; that the tax on the building would necessarily fall on the occupier, because unless the builder secures the same return as other business men do he would cease building houses until the increased demand for houses again raised the rent. Accordingly, the tax on house rent will fall partly on the owners and partly on the occupiers. He lays down broad principles of diffusion, however, as applicable to mercantile or manufacturing enterprises, because in any particular branch of trade a tax on the profits of stock will be shifted from the dealers to the consumers and because the dealers must in all ordinary cases have their reasonable profit, and in this connection he refers to the important fact that the consumers will have to pay, in the enhanced price of their goods, not only the tax advanced by the dealer but generally some overcharge in addition.

As regards taxes on wages, he maintained that they are always shifted and that the increase of price created by higher wages must be finally paid by the consumers.

Monsieur Thiers, a prominent historian of France, writer on economics, and President of the Republic, advocated the principle of diffusion in the most decided terms. He said that taxes are shifted indefinitely and are intended to become a part of the prices of commodities to such an extent that everyone bears his share not in proportion to what he pays to the state but in proportion to what he consumes. The manufacturer who pays a tax, whether direct or indirect, adds the tax to the price of the commodity, or necessarily he fixes the price so as to recompense him for all his outlays and to enable him to realize his profits, otherwise he would quit the business. This is true not only of the manufacturer but of the farmer. So again the laborer is in precisely the same position, for unless his wages increase by the amount of the tax, he must change his occupation or die of hunger. Thus all taxes are indefinitely shifted.

No American economist has considered this subject more thoroughly than Mr. David A. Wells, and I may say to you gentlemen on the other side that he has been a leading protagonist of free trade or a revenue tariff, so that his views are entitled to your very considerate attention. He says, on page 574 of his work, *The Theory and Practice of Taxation*:

We are thus led up and forced to the recognition of two propositions, or rather principles, in respect to taxation that can not be invalidated. The first is that it is not necessary that a tax assessor or collector should personally assess and levy upon every citizen of a State or community in order that all should be compelled to contribute of their property for the support of such State or community; second, that there is an inexorable law by which every man must bear a portion of the burden of public expenditures, even though the official assessors take no direct cognizance of him whatever.

After referring to the fact that in New York City not more than 4 per cent of the population pays taxes, on page 584, he quotes Doctor Franklin. Franklin was rebuked by a committee of the House of Commons on the ground that the colonists relieved landowners of taxation and levied it upon the merchants, who were largely English. He responded:

If such special tax was imposed, the merchants were experts with their pens, and added the tax to the price of their goods, and thus made the farmers and all landowners pay their part of the tax as consumers.

The following is a statement of the general principle:

Taxes form an important part of the cost of all production, distribution, and consumption, and represent the labor performed in guarding and protecting property at the expense of the State, in all the processes of development and transformation. The State is thus an active and important partner in all production * * *.

Taxes, then, are clearly items of expense in all business, the same as rent, fuel, cost of material, light, labor, waste, insurance, clerical service, advertising, expressage, freight, and the like, and on business principles they find their place on the pages of profit and loss; and, like all other expenses which enter into the cost of production, must finally be sustained by those who gratify their wants or desires by consumption.

Mr. Wells continues:

A great capitalist, like Mr. Astor, bears no greater burden of taxation—and can not be made to bear more by any laws that can be properly termed tax laws—than the proportion which his aggregate individual consumption bears to the aggregate individual consumption of all others in his circuit of immediate competition, and as to his other taxes he is a mere tax collector or conduit conducting taxes from his tenants or borrowers to the State or city treasury.

And on page 585 Mr. Wells says:

It is, therefore, immaterial where the process of manufacture takes place; the citizens of a State pay in proportion to the quantity which they consume. The traveler who stops at one of the great city hotels can not avoid reimbursing the owner for the tax he primarily pays on the property, and the owner, in respect to the taxation of his hotel property, is but a great effective real estate and diffused tax collector. Again, the farmer charges taxes in the price of his products; the laborer, in his wages; the clergyman, in his salary; the lender, in the interest he receives; the lawyer, in his fees; and the manufacturer, in his goods.

To treat this subject dispassionately and fairly I must say that there are well-established exceptions to the rule of diffusion, though in all these cases of exception there is an indirect effect of taxation which tends to sustain the general rule when we take account of the whole social and economic fabric.

Taxes are not directly, and in a measure not at all, diffused when they are paid on inheritances, nor when they are paid on gains in speculation or in gambling, nor when there is a monopoly, as in the case of a patent right, and the vendor may fix his own price for it, and sales fall off when prices reach a figure which diminishes the demand. There are a number of articles that are sold at a fixed price, and when you vary from that the demand is less, and there again the tax can not be diffused. Rates and charges established by law, as in the case of many of our public utilities, can not be increased, though as a result the enterprise may become unprofitable and be abandoned. Then, again, contracts for long periods, as in a lease for 99 years, and fixed salaries do not yield to the rule of diffusion; still further the question of increasing demand has a tendency to affect this question. If there is an increasing demand or if the buyer must or will take the article, even though the price be increased, then the tax can be diffused, but especially in times of depression, when people have less means with which to buy and the effective demand is less, then the tax is less diffused. Thus the elasticity of the demand has an effect upon the question.

It must be conceded that there is an apparent exception to the rule of diffusion, in that the original taxpayer, who first pays, has a burden to bear, although he usually passes that on with interest. It must also be conceded that a certain amount of time must elapse before the rule can have its complete effect.

Let us now look at the common sense of this proposition. What does an active practicing lawyer or doctor obtain? Not so many dollars and cents, but that share of the disposable fund in the community to which he is entitled by reason of his ability and industry. If you put a tax on him, income or other, he raises his charges. Everyone knows who consults a physician or a lawyer, perhaps more particularly in the latter case, that their charges have been very materially greater since increased taxation has been imposed. It needs no argument to sustain the position that taxes upon houses raise the rent and taxes on notes and mortgages raise the rate of interest.

Thus the general tendency is toward diffusion. Let us also bear in mind that there is a tendency to equality of profits, which is a very marked feature in our economic life. Mr. Adam Smith mentioned that fact, and he is often quoted to confirm the statement, that risk and other circumstances being equal, profits are the same. Profits are very much modified by the agreeableness or disagreeableness of the occupation, by the risk, and to some extent by the social standing of those who engage in the business. On that subject Adam Smith says:

No tax can ever reduce for any considerable time the rate of profit in any particular trade which must always keep its level with other trades in the neighborhood.

The business of an undertaker, which is disagreeable, and perhaps involves some danger from a sanitary standpoint, demands a larger rate of profit. The business of the brewer or the distiller for a considerable time was under a kind of social ban, and that caused those who engaged in the business to expect exceptional profits. It is perfectly obvious, as I have already mentioned, that the matter of risk has a very great effect in fixing the rate of profit.

Half the enterprises perhaps fail, the other half succeed, and the successful ones must make up for the possible or probable losses by higher profits.

In a word, the general fact is that taxes on the processes of production are diffused. As an illustration, the excise tax on the net income of corporations is in the final analysis passed on to the general public.

All this applies, my colleagues, to taxation in the higher brackets. The owners of large fortunes, as well as those of moderate means, seek and usually obtain a similar return upon investments. I shall not stand here for a minute in opposition to the contention that those who have the largest means have the greatest ability to pay. I for a long time have been a believer in graded taxation, imposing a surtax on those of larger incomes because they are more able to pay; but there is not merely a limit beyond which we can not go without injustice, but, that which is more important to you and to me, without injuring the whole economic fabric.

Where do the funds come from for new enterprises or for the enlargement of old ones? We may use perhaps the estimate of 60 per cent for a new enterprise, which can be obtained from a savings bank or a trust company, a loan which would be secure under any and all circumstances.

The balance above that, or 40 per cent, involves a greater risk, and that must be found with some investor, presumably one of considerable means, who is willing to undertake that enterprise and that risk. What happens now in regard to any new enterprise or the enlargement of an old one? The person engaged in the business, or who wishes to start a new enterprise, goes to the capitalist. What does the capitalist tell him? "Why, if you promise me large profits in this enterprise—the presumption is that the risk is somewhat unusual and that must make me pause—but more than that, suppose your rosy anticipations are correct and this does pay a very considerable profit, what good does it do me? The Government, in high surtaxes, will take so large a measure that it is not best for me to engage in it. I will be working not for my own interest but I will be working to increase the revenue of the Government." And, in this particular, there has been a serious hampering effect upon the industries of this country. It is peculiarly noticeable in those establishments which desire to enlarge their operations.

I want now to call attention to another phase of this matter—the tax-free securities. Gentlemen, have you studied the statistics in regard to this? They are startling. This House has refused to submit a constitutional amendment, making it possible to tax municipal and other securities, and at the same time there is advocacy here of higher surtaxes. Thus the opponents of this amendment are saying with one voice, "We will keep up the surtaxes," and with another, "We will provide an avenue of escape."

In Mr. Bunyan's work, the *Pilgrim's Progress*, there is a Mr. Facing-Both-Ways. There is a description of an imaginary character who was very gifted in the art of misleading. But this idea of exempting certain securities and raising the surtaxes makes Mr. Facing-Both-Ways an actual reality among us. One can go out and say to a person who objects to the payment of taxes, "We will raise the surtaxes up to the highest possible figure. We will collect them from the rich," and then he can turn around and go to the man with a large capital and say, "Oh, my dear, dear friend, true, nominally, the taxes on you are very great, but I have provided for you an avenue of escape; you may invest in tax-free securities and then the whole matter of high surtaxes will be a delusion, a snare and a mockery—it will be a humbug—you can get through."

We should always bear this in mind, that the man of large means is like one who stands on a commanding eminence and can look ahead and see what is coming; he can make his calculations, he can shift his holdings, and with tax-free securities he has abundant opportunity to take advantage of every situation and aid himself in evading burdensome taxation.

I call your attention to some figures which illustrate this situation. In the year 1916 when the surtax was 13 per cent, there was collected in the higher brackets \$81,404,000 from those having an income of over \$300,000. In the year 1921, with a rate of surtax of 50 per cent, as against 13 per cent in 1916, there was collected only \$84,000,000—only 3 per cent more than was collected at the time the surtax was 13 per cent. The percentage of the total surtax paid by those having incomes of over \$300,000 when the tax was 13 per cent was 66.8 per cent, or about two-thirds. In 1921 it was 20.6 per cent. The following table shows the decrease:

Year.	Totalsurtax.	Surtax on income in excess of \$300,000.	Percentage of total of those in excess of \$300,000.
1916 ¹	\$121,946,136	\$81,404,194	66.8
1917.....	433,345,732	201,937,975	46.5
1918.....	651,289,027	220,218,131	33.8
1919.....	801,525,303	243,601,410	30.4
1920.....	596,803,767	134,709,112	22.6
1921.....	411,327,684	84,797,344	20.6

¹ 1916 was a year of low surtax rates.

Now, there are some other figures very expressive in showing the proportion in large estates of tax-free securities.

In the enumeration made in 1917 the total exempt stocks and bonds was 3.26 per cent of the whole, and in 1923 it was 41.98 per cent.

The increased proportion of tax exempts is shown in the subjoined table.

Year.	Wholly tax exempt to net estate.	Wholly tax exempt to total stocks and bonds.
1917.....	2.21	3.26
1918.....	4.27	6.66
1919.....	5.30	7.87
1920.....	9.79	14.50
1921.....	8.97	13.30
1922.....	6.82	10.53
1923.....	28.97	41.98

That tendency is more and more in evidence. The man who says, "Maintain the surtaxes," may say to the large investor, "You can buy billions of dollars of tax-free securities, and there are billions available in it for you."

The matter is not to be gotten rid of by any demagogical cry of "Lay the burden on the rich." It is a plain economical and financial question of what is best for the country, without any badinage or abuse of the Secretary of the Treasury and without rousing class prejudice. The figures show beyond question that the high surtaxes, just so long as you exempt tax-free securities, are absolutely ineffective. They have come to be a farce.

I do not say whether the rate should be 25 or 35 per cent or what it should be; but there is a demand, in view of the present situation of the opportunities of the rich to avoid taxation, for a substantial lowering. Nothing proves it better than the fact that when the tax was 13 per cent the amount collected in the country was practically as great as when it was 50 per cent. Explain the figures, you who advocate the high surtaxes.

Mr. CONNALLY of Texas. Will the gentleman yield?

Mr. BURTON. I am sorry, but I can not.

Mr. CONNALLY of Texas. The gentleman wanted me to explain, and I will explain.

Mr. BURTON. I can not submit to an interruption now; I am not much of a believer in interruptions. The gentleman from Texas will have a generous provision from his own side I have no doubt.

There is one thing I desire to say by way of digression, and that is in respect to some of the remarks just made by the gentleman from Michigan [Mr. CLANCY]. It has been my disposition to throw off at least a part of the excise taxes on automobiles and accessories because they are of such general use. My own city is one of the largest manufacturers of that kind of goods. But after hearing such a speech as was made by the gentleman from Michigan [Mr. CLANCY] I am doubtful. I have had threats thrown at me many times that a few millions were about to organize in a class and were intending to vote against this gentleman or that who voted against their supposed interest. What is our duty here? It is to the country; to the whole country, but if there is to be a division into blocs, the automobile people in one party—and I do not believe they will do anything of the kind, because they are men of standing and men of patriotism—if that threat must be thrown in our faces here, it is time for every man of courage to say we will not yield to any such argument. [Applause.]

In conclusion, gentlemen, we should consider this matter dispassionately. I am convinced that a careful consideration of this situation, having regard for the complicated ramifications of industry which are of so much importance to the people, will prove to us that the excessive surtaxes not only do not

bear upon the rich in such a way as is promised, but that they injure the whole field of human endeavor. They create opportunities for evasion. They diminish that spirit of patriotism which should belong to every taxpayer. Let us frame this bill, then, not with a view to political expediency, not in response to any cry of class prejudice, but with one sole desire to benefit this country, to build up its industries, to increase the prosperity of the American people, which is now and always should be our chief desire. [Applause.]

Mr. COLLIER. Mr. Chairman, I yield 40 minutes to the gentleman from Illinois [Mr. RAINEY].

Mr. RAINEY. I agree with the gentleman from Ohio [Mr. BURTON] who has just taken his seat. The question presented here is, What is for the best interest of the entire country; what steps should we take now in the matter of taxation which will insure the future prosperity of the country? That is the question, of course. I can not agree with the gentleman from Ohio that the method to be adopted in order to insure the future happiness and future prosperity of the people of the United States is to relieve the very rich from a large portion of the taxes they now pay. The proposition he champions so vigorously ignores the fundamental canon of all taxation, which I think the gentleman stated he stood for, and that is that taxes must bear heaviest upon those best able to pay. The gentleman quotes from political economists, some of them single taxers, some of them communists, who wrote most of their views before the present corporate system of carrying on the affairs of the business world was inaugurated. The capitalistic period does not date much further back than 60 years. With the advent in the world of the capitalistic period the writings of those old economists who wrote so long ago are no longer applicable to the conditions as they exist now and as they have existed for more than two decades. I undertake to say that if the gentleman from Ohio [Mr. BURTON], who has quoted from two or three of them, will examine the old lists of writers on the subject of taxes, on economic subjects—Roscher, Rousseau, Marx, Malthus, Ricardo, John Stuart Mill, and all the rest of them—he will find that even the majority of writers of long ago, before the economic conditions of the present day fixed themselves upon this world, will not agree with the position that he takes now.

The President of the United States takes the same position. In the speech he made in New York before the National Republican Club on the 12th day of this month, following the theories of Andrew W. Mellon, following the ideas which have been just suggested again so forcibly and so ably in the scholarly address of the gentleman from Ohio, undertook to give an example which illustrated his views.

I shall not attempt to quote the language of the President exactly, for I do not seem to have it before me. He took the farmer's steer as an example, and this is what he said in effect: The steer starts on his journey from the feed lot on the farm to the stockyards, and a great corporation, the carrying corporation, adds the tax to the steer that we impose on the corporation. When the steer reaches the yards in Chicago, and the President thinks some company controls the yards, another tax which they pay is added to the steer. Then the steer is slaughtered by a corporation and that corporation adds its tax. Then the hide of the steer continues its interesting and thrilling journey and goes to a tannery, controlled by a corporation, and of course that corporation adds its tax. Then, in order to give the matter a home touch, the President takes the hide of his steer all the way to a New England shoe manufacturing establishment, controlled by a corporation, which adds to the hide of the steer as it is manufactured into a pair of shoes the tax that it pays. Then the part of the hide that goes into the shoes pursues its interesting journey from the manufacturer to the wholesaler, also a corporation, which adds its tax. The wholesaler sends the shoes to the little country store near where the farmer lives, and where the shoe had its real origin. The President seems to think that some more taxes are added there, but unfortunately in this entire trip which the hides take from the feed lot back to the country storekeeper, from whom the farmer who sold the original hide now buys the shoes, the country storekeeper is the only one who does not have any income tax to pay and pass on. He has not made under this administration a taxable income. He is probably the only agency in the long trip of this hide back again to the farmer who under the President's theory is not able to add any tax. The President's theory is that when the farmer buys the pair of shoes he buys them burdened with all these taxes that have been put on that pair of shoes during the entire journey of this animal's hide around the country, a couple of thousand miles and back again to the farmer.

That looks plausible, does it not, but it ought to make all of these old writers on political economy turn over in their graves to hear it asserted by the President of the United States. In this country, under capitalism as it exists to-day, profits come from the corporations engaged in business, and we have already under this administration relieved the corporations from their excess-profits tax. They do not pay that any more, and the rest of the taxes they pay are almost negligible. It is corporations that handled this hide from the time it left the animal until it got back as shoes to the country storekeeper from whom the farmer bought the shoes. Always a corporation. We are not attempting under the Mellon plan to tax any corporation or to reduce taxes on any corporation. These are individuals whose taxes we are reducing, and not a single individual who owns stock in any one of those corporations which had to do with the handling and manufacturing of this hide into shoes and in the transportation which the President describes could ever add to the cost of that hide his income tax. He does not know how much he has made until the corporation at the end of its business year turns over to him his profits. He does not know whether he has made any profits or not. When he finds out what his aggregate profits are from all of the investments he has made in all of the corporations in which he is interested, then he is compelled under the law to contribute a portion of those profits toward carrying on the expenses of this Government. The income tax paid by the individual is the one tax which can not be passed on.

Mr. Otto Kahn, the head of the firm of Kuhn, Loeb & Co., an expert on the subject of taxes, speaking from the standpoint of big business, insists that a rich man ought to pay one-third of his income as taxes, and it is not proposed to make a rich man pay one-third of his income as taxes under any bill that has been yet suggested by the Republican leaders who, in the Cabinet and on the floor of the House, have to do with this interesting question.

Let me call your attention to what is the real danger to the capitalistic state. You all know what it is, if you stop to think about it. There is spreading through this country, and has been for a number of years, a wave of unrest, and when you attempt to analyze it you find it is developed and created by the fact that under capitalism as it exists to-day, under the capitalistic state, and especially in this country, there is a tendency on the part of wealth to accumulate in the hands of just a few, because the people of this country and of the world demand now a mass production of goods.

This is the age of the iron man in industry, and there has never been anything like it in the history of all the centuries until 60 years ago. Prior to the advent of the capitalistic age in the world there was not much difference between the employer and the employee in factories. They worked side by side at the same bench, or the employer worked in a little office in front. They worked with primitive tools, and they could get together at any time and settle questions of wages and hours of labor and the conditions under which they worked, and in those old precapitalistic days those matters were settled face to face and man to man by employers and employees.

It can not happen now in the mass production made possible in the iron age. We have supplied the workers in factories with great automatic iron arms, and with those great automatic iron arms they can turn out a thousand times as much product as they could in the old days working with their hands. And so, if the labor of a man is measured by the amount of his manufactured product, and he can turn out a thousand times more than he could in the old precapitalistic days, it follows as a matter of course that somebody is making a thousand times as much. The laborer is not making it. But the corporation employing him is making it. There follows as a matter of course these tremendous fortunes and this grouping of the wealth of the country in the hands of a comparatively few people.

I wonder if you know how much a billion dollars is. I do not know myself, but in September last the National City Bank of New York issued a document in which they attempted to tell how much a billion dollars was. I can quote safely, I think, the National City Bank without being charged with being radical.

The National City Bank called attention to the fact that up here in the Treasury Department there are six money counters who count money, and do nothing all day long but count money. They say that is a nerve-racking operation. I never had enough to count to find out myself. [Laughter.] They say that those experts up there can count only 4,000 silver dollars an hour, and that is all. Then the National City Bank says that if you get the best of those expert

counters up there and put him to work counting silver dollars at 4,000 an hour, working eight hours a day and working every day in the year, including holidays and half of all the Sundays in the year, he can count a billion dollars, but it would take him a hundred years to do it.

We have two men in the country who are worth almost that much—Andrew Mellon, who proposes this tax plan, and Henry Ford. Those two gentlemen, if they had commenced the minute after they were born counting silver dollars at 4,000 an hour and done nothing else until the present moment could, neither of them, have counted up to the present moment as much money as he is now worth. It is safe to say that Henry Ford has ahead of him 10 more years of active business life. If his holdings keep on accumulating in the next 10 years as they have in the decade just ended, his income at the end of that period will be \$1,000,000 a day.

Now, why can we not call attention to these objections to the capitalistic state without being denounced as unsafe radicals? I want to preserve the capitalistic state, not destroy it. Those who insist upon a correct method of taxation—who insist upon compelling the rich to bear their just share of the burden of the taxes—are the real friends of the capitalistic state in this country. These are the men who are warding off a great danger; it is not those who insist on being relieved of taxes. They are just as much enemies of the capitalistic state as it exists to-day as the man who throws a bomb, because they carry with them more followers, and they have been doing it by a system of propaganda and coercion without a parallel in the history of this country.

The advent of the Mellon plan was heralded by the trumpeting of the very rich, and it has been carried on by a system of propaganda and misrepresentation of economic facts which has never been paralleled in the history of any country.

And they announce—the President and Andrew W. Mellon and the gentleman who has taken his seat—that direct taxes are not direct at all under the present system; that direct taxes are really indirect. The rich, 11,000 of them, who will be benefited more by this bill than by the proposals we have made, shout loudly throughout the land, using the various capitalistic journals of this country, "Relieve not us of taxation, but relieve the very poor of taxation; relieve the farmers from taxation, because when you tax us you do not tax us at all. When you tax us you tax the poor, and you tax 6,000,000 or 7,000,000 farmers of this land."

Is it not surprising that anybody believes in that kind of nonsense? Then they assemble about them a tremendous, clamoring following. Now, if you repeat anything enough times and loud enough and print it often enough, you will get a lot of people to believe it is true; and so we have in this land thousands of the poor who do not pay any of these income taxes at all, and many thousands who will be relieved much more by our plan than this Mellon plan, insisting, "For God's sake do not tax the rich, because when you do it you are taxing us."

That is nonsense, every bit of it, even if it does come from the Secretary of the Treasury. While I have great respect for the Secretary of the Treasury, who is a genial gentleman, I do not think he knows much about these economic problems. He tells us in his biography that he is a banker by profession, and then he proceeds to tell us that he is a graduate of an obscure Pennsylvania college, and then in the biography he gives out, that stretches across the pages of the books in two or three lines, he indicates the honorary titles—doctor of laws, and so forth—conferred upon him by various institutions in this country, some of them by colleges of standing and some of them by colleges of no standing at all. He is so proud of it that he calls attention to the fact that a military academy in Pennsylvania, which does not make any pretense of activity along cultural lines, has conferred upon him the degree of doctor of laws. The degree of doctor of laws in this country does not mean anything now. Over in England they make the very rich, who are generously inclined and willing to pay for it, peers of the realm.

We can not do that here, so the colleges make them doctors at law. These titles the Secretary of the Treasury wears as proudly as the dusky belle in the villages and jungles of Africa wears a ring in her nose. They mean nothing whatever; they simply mean this: That the man who receives them is very rich and that he is growing old and that he shows signs of being benevolent. These college faculties and college trustees want him to remember them, if not while he lives, at least after he passes away. They do not mean as much as the diplomas conferred by these medical diploma mills we are trying so hard to suppress in this country.

I am not surprised that the Secretary of the Treasury knows so little about economic problems in this capitalistic age of this country.

Now, I want to call your attention to something else that is going on. Let us concede for the purposes of this argument that there is a diffusion of these taxes; that the taxes you levy upon the rich are paid by the poor. If that is true, then the taxes we levied in 1923—the taxes we levied upon the rich in 1923—were paid by the poor and the rich have recouped their losses for 1923; they have got them all back again; they have been passed on in the manufactured goods that have been purchased and in the rents which the poor have really paid. Now, assuming that they are correct about that, let us see where that leads them. In 1923 the Secretary of the Treasury announced that there would be a deficit of something like \$279,000,000, but it seems now there is a surplus of \$300,000,000 for 1923. So he is going to give back the surplus taxes collected in 1923. To whom? To the soldiers of this country in adjusted compensation? Why, certainly not. To the poor of this country who have paid these bills and reimbursed the very rich? Why, certainly not. He is going to pay them back to the income-tax payers who paid the tax in the first instances and who, according to his theory, have got all their amounts back again. He is going to pay a very large bonus to the very rich.

Mr. MURPHY. Will the gentleman yield?

Mr. RAINEY. Yes.

Mr. MURPHY. The gentleman is a member of the Ways and Means Committee and has studied the tax problem.

Mr. RAINEY. I will ask the gentleman to be brief.

Mr. MURPHY. I am very anxious to know what his judgment is with reference to any tax bill that is now before the House, as to whether it will produce enough revenue to take care of adjusted compensation for the soldiers?

Mr. RAINEY. I am coming to that, and if I have the time I will discuss it, and if not I will discuss it at another time. Either of these bills can easily be so arranged that they will take care of adjusted compensation. There need be no trouble about that.

Under the Mellon plan there is to be no bonus for the soldiers, but there is going to be a bonus for the very rich who paid these taxes, and most of them, including, I am afraid, Mr. Mellon himself, were war profiteers. Under this rebate that they propose Mr. Mellon himself will get a rebate of over \$400,000, a bonus for himself.

JUGGLING FIGURES IN THE TREASURY DEPARTMENT.

Now, I am going to call attention to something, and I want to be careful about it, because I am going to be responsible for what I say. I want to call attention to the fact that on the 24th day of January, 1922, Andrew W. Mellon sent a letter, a carefully considered letter, to the chairman of the Ways and Means Committee. It is printed in the hearings before the Ways and Means Committee of the Sixty-seventh Congress, 1921-1923. In the letter he said that it appears from the data in his possession—I will not read it, because I can tell it quicker than I can read it—that the deficit for 1922 would be \$24,000,000, and the deficit for 1923 would be \$279,000,000; that it was apparent that there would be no money left for extraordinary expenses such as the bonus.

That is the letter, and the reason uppermost in the mind of the Secretary of the Treasury in sending that letter was the defeat of the bonus. And that is where the juggling of figures comes in that the papers of to-day are talking about. That was the deliberate statement of the Secretary of the Treasury on the 24th day of January, 1922, and he refers in that letter to the Actuary of the Treasury as authority for the statements he then made.

Now, the actuary was before the Committee on Ways and Means just a few days ago, and in reply to my questions he said—I have his reply here:

Mr. RAINEY. On January 24, 1922, the Secretary of the Treasury in a letter addressed to the chairman of the committee announced that the deficit for 1922 would be \$24,000,000 and the deficit for 1923 would be \$279,000,000. Now, I understand he says there was a surplus in 1923 of over \$300,000,000.

So there was a mistake in the estimates there of nearly \$600,000,000 for 1923. And the Secretary goes on to state that he got those figures from the actuary. I asked this question of the actuary himself, and this is the actuary's reply:

Mr. McCoy. The figures used in the Secretary's report for 1922, upon which the deficit or surplus was based, were not my figures. I did supply figures estimating the revenues but they were not used.

And later on, I read again:

Mr. RAINEY. Can you give us your figures for 1923?

Mr. McCoy. I have not them with me.

Mr. MILLS. Will the gentleman yield?

Mr. RAINEY. Yes.

Mr. MILLS. I am sure the gentleman does not want to produce a wrong impression.

Mr. RAINEY. No; of course not.

Mr. MILLS. Will the gentleman also put in the Record Mr. McCoy's statement as to why his figures were not used?

Mr. RAINEY. If the gentleman will call my attention to it I will.

Mr. MILLS. It is on the next page of that very same hearing. Mr. McCoy stated that in 1922 the Bureau of Internal Revenue claimed that inasmuch as it was their function to collect internal revenue, they thought their figures should be accepted rather than an outside actuary.

Mr. RAINEY. The gentleman is right about that; he did say that and I was coming to that. He said his figures were not used but the figures of the Bureau of Internal Revenue were used. I thank the gentleman for that contribution to my speech and I had almost omitted that part of it. In other words, the evidence shows that up there in the Treasury Department at that time they had two sets of figures, one set given them by the actuary and the other set furnished by the Internal Revenue Bureau. The actuary's figures would not sustain the conclusion announced by the Secretary in his effort to defeat the bonus, but the figures supplied by the Revenue Bureau would sustain that proposition. And with both sets of figures before him, one set by the sworn actuary of this Government and the other set made by some clerk in the Revenue Bureau, the Secretary of the Treasury deliberately used the set of figures which were wrong. [Applause.]

Why, the trouble with this administration is that it has too many Daughertys, too many Denbys—or, I believe, it has not too many Denbys now, because since I commenced this speech he has resigned. [Applause.] Too many Falls it has had in the past, and too many Andrew W. Mellons. Why, this record, which my friend the gentleman from New York has helped me to develop with his interruptions, is worse than the record made by Denby. The record made by Denby is this: Naval officers advised him against the oil leases he was about to make, and he sent them to sea and demanded that he be furnished with more tractable naval officers who would back up what he did. But the Secretary of the Treasury goes further than that and should be criticized to a much greater degree than anybody should ever criticize Denby. The Secretary of the Treasury maintains an arrangement in his bureau by which he can get any set of figures at any time to prove any kind of a statement he wants to make on any subject. I would like to know what revenue official supplied these figures and whether for that kind of service, for stultifying himself in that way, he has been promoted or not.

At any rate, he has not been sent out of the department. I have not heard of any discharges on that account. The time has come to investigate the Secretary of the Treasury, and the time is right here. Deliberately, and with a purpose to mislead, with the purpose of defeating the soldiers' bonus as it came up then, and with the purpose of leading to presidential messages which violated the plighted troth of the Republican Party, he advised a committee of this House and he advised the President of this tremendously false deficit, using the set of figures that best served his purposes. I have now no confidence in any figures used by that department. He says that our bill will not yield enough revenue, according to figures which he gets from some source or other. He has all kinds of figures up there that will suit his purposes and he says our bill will not yield enough revenue. We have still on the Ways and Means Committee five gentlemen, Democrats, who helped to frame the first income-tax law, and four of them are experts in the matter of taxation, Mr. GARNER of Texas, Mr. HULL of Tennessee and Mr. COLLIER of Mississippi, and Mr. DICKINSON of Missouri. The fifth happens to be myself, and I do not claim anything for myself, but I claim this for Judge HULL of Tennessee. He is the father of the income-tax law in this country. I claim for him that he knows more about income taxes in this country and in the world than Andrew W. Mellon and all of his hirelings, who are ready to furnish any kind of statement he wants at any time [applause], and I would rather have his judgment and the judgment of the three other old Democrats who have

served on that committee than the judgment of Andrew W. Mellon.

Mr. SCHAFFER. Will the gentleman yield for two questions?

Mr. RAINEY. If you will make them short.

Mr. SCHAFFER. I am not defending the Secretary of the Treasury's plan.

Mr. RAINEY. No; it can not be defended.

Mr. SCHAFFER. I am opposed to the Mellon plan. I am not defending the administration.

Mr. RAINEY. I congratulate the gentleman.

Mr. SCHAFFER. But you have injected the matter of politics and the adjusted compensation and the millionaires.

Mr. RAINEY. Yes.

Mr. SCHAFFER. Is it not a fact that many of these millionaires who are opposing the adjusted compensation at this time and who are for the Mellon plan made their millions under a Democratic administration?

Mr. RAINEY. Oh, many of them added to their millions during the dark days of the war when the blue of the flag seemed about to be fading away in the blue of the skies. You are right about it, sir; many of them did make their millions then, when 4,000,000 boys were being taken away from the farms and the cities and sent to the camps and sent across the seas. You are right about it, many of them did make their millions as those boys marched across the fields of Flanders, as they were mowed down by the guns of the enemy. That is when they made their millions. They stayed at home and profiteered, and then as the boys came back, as the caskets covered with the colors and guarded by the friends of the dead moved across this continent to their resting places in little cemeteries throughout the land, then these millionaires you talk about who made their millions in this way in the hour of stress for their country, inaugurated this movement—inaugurated antipatriotic organizations and financed them too, in order to destroy the pitiful adjusted compensation we proposed to pay them. [Applause.] Oh, you can not do anything in this country, you can not call attention to these law-defying classes in this country, you can not call attention to the appalling economic effect of the situation which they have created, without being charged with making a political speech.

You can not call attention to the stealings of a Secretary of the Interior without being charged with making a political speech. You can not call attention to this fraud on the people of this country, in the Treasury Department in this juggling of figures, and furnish the facts about it—you can not do that without being charged with making a political speech. Call this a political speech if you will, I do not care. I am telling the exact truth, and on that side you all know it. I am going to stand always against such things.

Andrew W. Mellon has so injected himself into this fight that I want to discuss him for just a little while and see where he stands on this proposition and what he stands for. He is usually a pleasant gentleman, but he has said mean things about our bill. He says that his bill, the Mellon plan, "is the result of experience and study."

The CHAIRMAN. The time of the gentleman from Illinois has expired.

Mr. COLLIER. I yield the gentleman 10 minutes.

Mr. RAINEY. And that our plan is "a makeshift"; that his is "a business plan" and ours is "political." He champions a plan which will relieve him of \$2,100 of taxes every day in the year. Of course, that plan is the result of "experience and study." This is a "business plan," and when we oppose it, we are standing for a "makeshift" and our plan is "political." I want to show you how easy it is, under the capitalistic system, for these millionaires to develop. There is no way of correcting this condition except by resorting to a taxation system, to inheritance taxes, which they do not dare to propose, and to higher taxes on the incomes of the very rich. Oh, there is another way of doing it, and they have adopted that way over in Russia. It is more severe, even the very rich will admit, than a resort to taxation. Over there they just kill the rich and divide their holdings among the drones who never do anything, and that is the only other way of doing it, except by resorting to the taxing system. We know there must be some way of doing it, and those of us who believe in maintaining the capitalistic system, the mass production of goods as it goes on, favor the only method we ought ever to apply in this country, and that is the method of taxing the very rich through inheritance and income taxes.

In 1888 a few gentlemen, Mr. Mellon being the principal among them, organized in the city of Pittsburgh the Pittsburgh Reduction Co. At that time Charles M. Hall had invented a method of producing aluminum in electric ovens. Prior to that time aluminum was almost a precious metal in

the United States. They organized the Pittsburgh Reduction Co. with a paid-in capital of \$20,000. That is all the money they ever paid in except reinvested profits. In a year or so that developed into the Aluminum Co. of America, and the Aluminum Co. of America is now a \$20,000,000 corporation. They invested in the Aluminum Co. of America a part of their profits, not all of them, but part of them, until they had made an actual investment in that company of a little over \$1,000,000, and that is all they have ever invested in it and that is the \$20,000,000 Aluminum Co. of America which we have to-day.

In 1913, in the hearings on the Underwood bill, Arthur W. Davis appeared there representing Mr. Mellon, one of the officials of his company, asking for a continuance of a tariff of 7 cents a pound on aluminum. At that time I cross-examined him. Then again when he appeared in 1921, when the Fordney bill was under consideration, with the same proposition I cross-examined him on both these occasions, 1913 and 1921, and developed these facts: That the Aluminum Co. of America in 1912-13 was paying about 15 per cent on a capitalization of \$20,000,000. In other words, it was paying them from 180 to 235 per cent every year on the money actually invested. Mr. Davis admitted that. In 1921 he admitted that they were paying a dividend on \$20,000,000 of 12 per cent every year, or a profit of 140 per cent on the amount of original capital and reinvested capital in the business, and a profit of 1,000 per cent on the money which they originally put into the enterprise. That is the Aluminum Co. of America, that is Mr. Mellon's company.

During the Taft administration Mr. Davis testified that he prepared with the officers of the company an agreement fixing a world price for aluminum. At that time the Mellon Co. had expanded until they had the Northern Aluminum Co. in Canada, that operated along the St. Lawrence River where there is water power, with a capitalization of \$500,000, and the American Bauxite Co. At that time Mr. Mellon's company had obtained the water power along the Soo Rapids and were the largest users of electric energy at Niagara. They also had organized the Pine Grove Realty Co. and the United States Aluminum Co., which was a fabricating company and making aluminum utensils. At that time they had the absolute monopoly of the production of aluminum in the United States.

But there were foreign companies operating under the patents that they themselves owned, and they wanted to be protected from any possible competition by them. So Mr. Mellon's officers prepared an agreement fixing a world price for aluminum. You will find this all in the hearings. Mr. Davis admitted it all. They took the agreement to the Attorney General—this was under the Taft administration, when there were the Ballinger scandals and the Sugar Trust thefts and these other scandals almost as bad as we have to-day—we have waited eight years for them to come again, and they always appear under a Republican administration. The Attorney General said, "Yes; it all right; you could do that if you don't sign the agreement." Well, all the other companies in the world signed it, including Mr. Mellon's Canadian company, and they developed aluminum in Norway, southern France, and England, where there is an abundance of water power.

In the making of aluminum it takes bauxite, which is nothing but clay, and water, and the Mellon companies are now a part of the Water Power Trust in this country.

While the American company did not sign the agreement, Mr. Mellon had his Canadian company sign it. In 1913 I said to Mr. Davis, "One reason why Mr. Mellon's company did not sign the world trust agreement which you prepared was because to-day we have a law in this country which would prevent it." He said, "I must say that you have stated the matter fairly."

This is the way Mr. Mellon got rich. This is the way Mr. Mellon accumulated a fortune which makes him the second richest man in the world. This is the Secretary of the Treasury, who devotes his time, not to his business but to escaping taxes through a control of the party to which he belongs.

But this is not the only way. He has other enterprises. I have not given you the profits of his various other aluminum companies. When we prepared the Underwood bill this same Mr. Davis appeared before us and said, "We had been enjoying a tariff of 7 per cent upon aluminum and we want it retained." Of course we did not retain under these circumstances any such duty, but we reduced the tariff to 2 cents a pound on aluminum. During the entire period of the Democratic control the protection which they received was 2 cents a pound on aluminum, and they did not get that with my consent.

As soon as we began to frame the Fordney bill this same Mr. Davis appeared, and I cross-examined him again. You will find it in the hearings. I said, "Under the Payne-Aldrich bill you

received 7 per cent, under the Underwood bill you received 2 cents, and you want the 7 cents restored." He said, "Yes; we want 7 cents." I asked him if they brought in any more aluminum under the 2-cent rate than they did the 7-cent rate, and he said, "No; about the same amount."

The CHAIRMAN. The time of the gentleman from Illinois has again expired.

Mr. COLLIER. I yield the gentleman five minutes more.

Mr. RAINEY. And now you would not be surprised, would you, if you learned that they got 7 per cent? In drafting tariff bills the Republican Party have an exceedingly easy way of doing it. If there are two witnesses who appear before the Ways and Means Committee, each one suggesting a different rate, they have an easy way of settling the matter. They settle it in favor of the witness who suggests the higher rate. Here, there was but one witness, and he spoke for an absolute monopoly, and he wanted 7 cents, the same as they had under the Payne-Aldrich bill.

That would offset every difference in labor cost of production, he said. Do you know what they gave him? This is what the Republican Party gave him. They gave him 9 cents a pound, because Mr. Mellon, who owned these companies, was the Secretary of the Treasury, with all the power and the patronage that went with that office.

Can you expect any relief from the Republican Party under the conditions that prevail now? Thank God for the La Follettes! Thank God for the Johnsons! Thank God for the Frears; and Mr. FREAR is the biggest man and the bravest of all of them. Thank God for them. The Mellon plan ought to be defeated, and you gentlemen know it.

This is not the only avenue that has been presented to the Secretary of the Treasury for accumulating this tremendous fortune. Do you think he is going to take any money out of the Aluminum Co. of America, which is making for him now 140 per cent every year, and put it into tax-exempt securities that pay 4½ or 5 per cent? Do you expect that to be done? It is absurd. He is not going to take anything out of that. Probably he has some tax-exempt securities. Recently a brother multimillionaire—and when multimillionaires fall out we begin to find out something—defied him to say how much of his wealth he got from distilleries, and he never answered. I remember, when he took control of the Treasury Department, at that time the New York newspapers stated that he was the largest holder of bonded whisky in warehouses in the United States. He never denied that. I wonder how much of it he owns now? It is impossible to find out what the withdrawals have been. He stands at the outlet there. He controls the withdrawals. Of course they withdraw whisky from the bonded warehouses. It has assumed now a tremendous value under the Volstead Act. They take it out for the purpose of healing the sick. That may be one way of healing the sick; I do not know; but assuming that it is an excellent way of healing the sick, Mr. Mellon ought not to be allowed a monopoly of this method of healing the sick.

Mr. McSWAIN. Mr. Chairman, will the gentleman yield?

Mr. RAINEY. Yes.

Mr. McSWAIN. I wish to ask the gentleman if he has considered section 243 of the Revised Statutes of 1878, which was approved by George Washington on December 2, 1789, to the effect that no person directly or indirectly interested in business or commerce should be appointed Secretary of the Treasury?

Mr. RAINEY. Yes; I have often thought of that, and it is time for the electorate of this country to commence to think about it seriously, more seriously even than in the past. Mr. Mellon put that whisky into bonded warehouses, whisky probably from his own distilleries. At that time it was worth, probably, a dollar a gallon. It has increased now in value up to \$30 a gallon, and all he had to do was to wait. It is almost as profitable as aluminum. He did nothing to make it increase in value. Industrious, hardworking bootleggers fix the price for Mr. Mellon's supply of whisky in bonded warehouses, and he lets it out for the purpose of healing the sick. Nobody can find out anything about the withdrawals, nor whose whisky has gone out of the bonded warehouses. I defy Mr. Mellon to say how much whisky he had in bonded warehouses at the beginning of his control of the withdrawals, and how much he has now. It will be an exceedingly illuminating proposition to give to the people of the country.

Democrats were not permitted to assist in the preparation of this bill so far as it relates to the normal surtax rates. Behind closed doors Republican members prepared these rates. There was little dispute over the remaining sections of the bill—the administrative sections. In other words, administration leaders have preferred to make the income-tax rates in this bill

a political proposition, and Mr. Mellon charges our bill with being a political bill. I remember that in the Sixty-sixth Congress Democratic members of the committee were excluded from the room while Republican members prepared a soldiers' adjusted compensation bill as a partisan political measure. I charged on the floor that it was prepared simply to carry the Republican Party over the elections and that it would be killed in the Senate. They denied it most vigorously, but this was done, and then came the present administration and the veto of the bill by one President and the promised veto by another President, the juggling of figures by the second richest man in the world to make those vetoes possible, and the propaganda which is now being carried on against it. The soldiers have been handed a gold brick and they are beginning to understand it.

MELLON A TAX DODGER.

An examination of the Government actuary, Mr. Joseph F. McCoy, on the 13th day of February developed also another startling fact. There are six income-tax payers in the United States who pay no normal tax. They are the six men in the United States whose income is \$3,000,000 per year and more than \$3,000,000 per year. They have so invested their funds in corporate securities and in other ingenious ways that they have been able to escape the payment of the normal tax. They are the world's six greatest tax dodgers, and Mr. Mellon is one of them.

His treatment of the soldier is so thoroughly approved by other Republican leaders, the juggling of figures in his department, his method of dodging the normal tax—all these things are the result of "study and experience." This method of doing things is merely a "business proposition." Those of us who have courage enough to call attention to it are doing so for "political purposes" and not for "sound economic reasons." The amount of normal tax Mr. Mellon escaped last year by his tax-dodging methods, if his income is only \$3,000,000 a year—and it will amount to much more than that—is \$239,680; but this, of course is a "business method"; "the result of experience and study."

Since I commenced this speech the passing of Denby has been announced. He has resigned from the high position he has been holding. The administration of President Coolidge will purify itself still more if the President also dispenses with the services of Daugherty and Mellon. The President is carrying a load no President can carry through an election year. The passing of Denby and Fall will not be mourned. Peace to their ashes. An aroused public conscience will make it impossible for the efforts of this administration to relieve the very rich from paying their share of the burden of supporting this Government. [Applause.]

The CHAIRMAN. The time of the gentleman from Illinois has again expired.

Mr. COLLIER. Mr. Chairman, I yield the gentleman five minutes more time, if he desires it.

Mr. RAINEY. I thank my friend, but I will not take it. I do not want time which really belongs to others.

Mr. GREEN of Iowa. Mr. Chairman, I yield 30 minutes to the gentleman from Illinois [Mr. CHINDBLOM].

THE PRINCIPAL ISSUE.

Mr. CHINDBLOM. Mr. Chairman, not since the memorable national campaign of 1896, when the major portion of the Democratic Party under its then newly discovered peerless leader sought the debasement of our national currency and the partial repudiation of public and private indebtedness by the proposal to change our monetary system from a single to a double standard, have the people of the country been so aroused by and interested in an economic question as they are to-day by and in the issue of tax revision. As in 1896, the Republican Party has sounded the alarm for legislation designed to promote the general welfare of all the people and secure the greatest good to the greatest number. In the silver campaign the Democratic slogan was: "Thou shalt not press upon the brow of labor a crown of thorns nor encircle it upon a cross of gold." To-day the similar cry in less elegant phrase is: "Soak the rich and get the votes of the poor." In the former battle for national welfare many thoughtful and clear-minded Democrats left their party. On the present issue many Democrats disagree with the party leadership in this House, but by invoking the caucus rule the Democratic membership here has prevented any of their number from joining in the task of tax revision or tax reform instead of mere tax reduction. I predict that before this issue is settled finally many Democrats in the country will repudiate the leadership here as that leadership has already been repudiated by influential representatives of the Democratic press. The New York Times in an editorial of the 15th instant condemns

the action of the Democratic caucus and asks: "Who gave these gentlemen authority to express the Democratic fiscal and economic policy?" They then quote the declaration of that party at San Francisco, to which I shall refer presently.

This editorial reads in part as follows:

If a Democrat in the House is liberal and wise enough to judge the Mellon plan—likewise in purpose and effect a Glass-Houston-Wilson plan—on its merits and for the good of the country, he isn't allowed to vote for it unless he made a specific contract, so to speak, with his constituents.

The Democratic caucus rule in question doesn't insure party solidarity. It fetters, or seeks to fetter, the exercise of free opinion unless that has been communicated to "the home district." It may be said that the working of the rule is unimportant in this case since two-thirds of all the Democrats voted for the Garner plan. But it may be asked: "Who gave these gentlemen authority to express the Democratic fiscal and economic policy?" Until the next Democratic National Convention the dogma of San Francisco must stand. [Quoting the platform.]

The Times then concludes:

National Democratic approval of a Democratic-Republican, a cardinal national, plan of tax reduction—and Mr. Mellon's, not Mr. Garner's, surtaxes.

In fact, it would not be surprising if the Democratic Party itself in the next national convention should repudiate the caucus action of the representatives of that party here. The arguments for tax reform have been so ably stated by many of its supporters that it is difficult to find new words and new forms in which to state the position of those who support that side of the question. However, I beg your attention to one statement which is about as clear, concise, and apt as it could well be made.

Listen to this:

We advocate tax reform and a searching revision of the war revenue acts to fit peace conditions, so that the wealth of the Nation may not be withdrawn from productive enterprise and diverted to wasteful or nonproductive expenditures.

Who made this statement? The Democratic Party. I find it in the national platform of the Democracy adopted at San Francisco in July, 1920. How does this declaration jibe with the proposed Democratic action in this House? How can "tax reform" and "revision of the war revenue acts" be accomplished "to fit peace conditions so that the wealth of the Nation may not be withdrawn from productive enterprise"? Can it be done by leaving surtaxes at a maximum of 44 per cent, which, together with the proposed normal tax of 6 per cent, will leave a total tax in the highest bracket of 50 per cent? When men are not placing their investments in productive enterprise with a maximum tax of 58 per cent, will they change their attitude and practice because this tax has been reduced by 8 per cent, to 50 per cent? Of course, the question answers itself. No one but a philanthropist who is anxious to donate money to the Federal Treasury or an enthusiast who will sacrifice income for the pleasure of producing a pet invention, or the unfortunate victim who already has his money invested in an industry from which he can not extricate himself, would think of placing or leaving his money in a hazardous and competitive enterprise which, with gross earnings as high as 10 per cent, would leave him only a net income on his capital of 5 per cent, while his whole income would still be subject to all manner of local taxation. Even a surtax of 25 per cent with a normal tax of 6 per cent would require gross earnings of 10 per cent to yield a net income of 6½ per cent, but still leaving the whole income subject to all kinds of State and municipal taxes on both income and capital.

Reverting to the Democratic attitude on this question, it would not be surprising if the next Democratic National Convention should adhere to its pronouncement at the convention of 1920. In fact, that convention would be compelled to do that unless it should elect deliberately to repudiate the late lamented President Wilson and both of his Secretaries of the Treasury, Messrs. GLASS and Houston.

In his message to Congress on December 2, 1919, President Wilson said:

The Congress might well consider whether the higher rates of income and profits taxes can in peace times be effectively productive of revenue, and whether they may not, on the contrary, be destructive of business activity and productive of waste and inefficiency. There is a point at which in peace times high rates of income and profits taxes discourage energy, remove the incentive to new enterprise, encourage extravagant expenditures, and produce industrial stagnation, with consequent unemployment and other attendant evils.

In his annual report in 1919, Secretary of the Treasury GLASS made this statement:

The upmost brackets of the surtax have already passed the point of productivity and the only consequence of any further increase would be to drive possessors of these great incomes more and more to place their wealth in the billions of dollars of wholly exempt securities heretofore issued and still being issued by States and municipalities, as well as those heretofore issued by the United States. This process not only destroys a source of revenue to the Federal Government, but tends to withdraw the capital of very rich men from the development of new enterprises and place it at the disposal of State and municipal governments upon terms so easy to them (the cost of exemptions from taxation falling more heavily upon the Federal Government) as to stimulate wasteful and nonproductive expenditure by State and municipal governments.

In 1920 Secretary Houston said in his annual report:

Since the adoption of the heavy war surtaxes in the revenue act of 1917 the Treasury has repeatedly called attention to the fact that these surtaxes are excessive; that they have passed the point of maximum productivity and are rapidly driving the wealthier taxpayers to transfer their investments into the thousands of millions of tax-free securities which compete so disastrously with the industrial and railroad securities upon the ready purchase of which the development of industry and the expansion of foreign trade intimately depend.

These expressions by the Democratic National Convention and by the leaders of the last Democratic national administration employ the same arguments for lower surtaxes that are now urged by the Republican administration.

Let us not delude ourselves about the Mellon plan. There is more back of it than propaganda. There is a sound economic principle; there is the determination of the people, regardless of party, that the time has come for an adjustment of Federal taxation to meet the necessities of the arts and industries of peace. The people are willing to pay sufficient taxes to liquidate the cost of the war, but they are not willing to have those taxes assessed and collected in such ways and according to such plans that unnecessary burdens will be laid upon the earning power and efficiency which must furnish the means for the payment of taxes. The most important thing in this country to-day is to lay plans for the preservation and enlargement of our present prosperity. That can not be done by confiscatory attacks upon capital which must be employed to furnish labor to the wage earner, markets for the farmer, and assistance to business of every kind.

In 1896 demagogic appeals to the masses against the so-called classes and promises of artificial prosperity by enlarging the volume and debasing the standard of our currency seemed for a while destined to succeed at the polls, but the sober second thought of the American people convinced them that the experience of mankind as well as of our people outweighed a seeming temporary benefit and that, after all, capital, the substance and sine qua non of husbandry, industry, and trade, could not be stricken down without injury to all the people. Neither can the just rewards and returns to enterprise and initiative be denied without injury to all of society, including the toilers and workers whose very livelihood is dependent upon the investment of capital. For myself, I am not much concerned about compromise rates for the income-tax schedule. I want rates which will benefit the entire people. Every individual taxpayer, of course, wants a reduction of his own taxes. If the mere question is how to reduce taxes for the largest number of individuals, such reduction is easily made and may be temporarily popular, though even that proposition is doubtful, because not only the payers of small income taxes but those who pay no direct Federal taxes whatever—as for instance the great mass of the farmers and the wage earners—are beginning to understand that they ultimately pay the higher tax rates in the high cost of living and the inflation of values through which the high taxes are passed on to the consumer. Every balance sheet of industry, commerce, and banking figures tax payments as part of the cost of production and operation. The manufacturer, the wholesaler, the jobber, the retailer, the banker, the broker, the peddler, and the mender all pass on the tax to the last man who buys and can not pass on the cost, because he must eat, wear, use, or occupy the thing which he has purchased.

The generosity and forbearance of the war are over. The people are looking for a proper adjustment of our business conditions and Congress will be held responsible for our part in shaping economic conditions. The wisest, necessary, and really only proper medium or relation through which government affects business is through the assessment and collection of taxes, particularly when taxes are as high as they now are

and for a long time must remain to meet the needs of the Federal Government. The dissatisfaction and unrest of the people, for instance in the Northwest, are due to economic conditions. They are forerunners of conditions such as existed in 1892, 1893, and 1894, when Populism flourished in some parts of the land as a protest against hard times. We then needed a readjustment and it came, together with an unprecedented era of prosperity, with the reaffirmance of the gold standard and the adoption of a wise protective tariff. To-day we are enjoying a measure and species of prosperity.

It is based largely upon the necessity for production to replace the depleted stocks of merchandise following the diversion of industry to war purposes. But agriculture, whose products are seasonal and whose activities can not be stimulated to replenish the needs of former years, as they had to be met in some way even during the war to maintain the lives of the people, is still languishing. Europe is able to buy only a small part of our surplus products, both grown and manufactured, and is a keen competitor with us for foreign trade in depreciated currencies. All this means that we must prepare to establish our prosperity largely on a domestic basis. Our trade must be, more than ever before, with ourselves. We have become a creditor nation and can not compel foreign countries to trade with us to receive pay for our obligations to them. We must set our house in order for these conditions. We must make our own capital available for enterprise and investment. We must encourage and compel participation in productive activities that use our raw materials and give employment to our labor. Tax-exempt securities furnish a measure of employment, but they leave large debts to be paid by the people and passed on in increased tax burdens. These are the considerations and questions that will furnish the issues in this year's campaign. The international issues of 1920 are settled and do not agitate the people now. We have receded sufficiently from the war to get a rational perspective. The war debt must be paid, and sufficient taxes for that purpose must be raised, but these taxes must be spent with the maximum degree of economy and retrenchment and they must also be laid with as great consideration for other economic conditions as may be possible. The people now want to know how we propose to allocate and readjust the war costs so as to insure continued prosperity and happiness. No fine rhetoric, no special pleading for the alleged poor and consequent denunciation of the rich, no party caucus action by which we permit ourselves to be bound, will be deemed sufficient excuse by the people for our failure now to adopt a wise and beneficial tax-revision policy.

Some interesting and amusing things have occurred in this debate. I heard a gentleman make such an imploring plea for the poor taxpayers, the small taxpayers, that he excited my sympathy and, to some extent, my curiosity. Upon investigation I find that in the county where this colleague lives in 1921 there were actually 106 persons who filed income-tax returns and 57 persons who paid taxes. The fact is that we have altogether mistaken the situation as to who pay these taxes.

The big argument of our Democratic friends is that their proposal will benefit a larger number of taxpayers than the proposal of the Committee on Ways and Means. In their minority report they state that their proposal—

offers in a logical and constructive way more substantial reduction or relief to all the 6,600,000 persons on the income-tax rolls, according to the Treasury statistics for 1921, which are the latest, than does the Mellon tax proposal, except as to some 10,000 of the larger surtax payers.

And on page 86 of the report they have inserted a table of income-tax rates by States so as to show the number of persons benefited more by the Democratic (GARNER) plan than by the Mellon plan, and they state this number to be exactly 6,641,262. The fact is that while there were 6,662,176 individuals who made income-tax returns in 1921, only 3,589,985 of them paid any tax whatever, and no tax whatsoever was paid by 3,072,191 persons who made tax returns. Still our Democratic friends claim credit for giving a larger benefit to the more than 3,000,000 people who made returns but paid no taxes in 1921. Of course, this claim and "expert" method of making an estimate is on a par with the entire Democratic scheme which instead of using merely the surplus of \$320,000,000 actually available in the Treasury will so largely reduce the income of the Government as to leave a deficit of over \$300,000,000 when the law, if it should be passed, would become fully effective. The title of the bill, if the Democratic proposal is adopted, should be changed to read: "A bill to reduce taxes and create a deficit, and for other purposes," the principal other purpose being to appeal to the prejudices of the unthinking for votes in the election of 1924.

The persistent argument of our opponents is that they are legislating in the interest of the small taxpayers. Who are

these small taxpayers? Who pay the income taxes in the United States? The Democratic policy on this question is being controlled now as always by the Members who constitute the solid South of the Democracy. In these 10 States the total number who filed income-tax returns in 1921 was 626,147, of whom 200,188, or one-third, were in Texas, and at the ratio of actual taxpayers to the number of returns in the entire country (54 per cent), the total number of actual taxpayers in these States is 338,119, while New York alone has 1,066,637 making returns and 575,784 taxpayers, Pennsylvania 621,103 making returns and 335,395 taxpayers, Illinois 611,558 making returns and 330,241 taxpayers, Massachusetts 388,442 making returns and 209,758 taxpayers, California 386,082 making returns and 208,584 taxpayers, Ohio 367,096 making returns and 198,232 taxpayers, New Jersey 269,096 making returns and 145,312 taxpayers, and Michigan 250,147 making returns and 135,079 taxpayers. These States, together with Texas, are all the States which in 1921 filed more than 200,000 income-tax returns and had in excess of 100,000 income-tax payers. In these eight Northern States, having a total of 2,192,487 income-tax payers in 1921, there were 127 Republicans and 53 Democrats in this House. These figures will interest the country. But when the issue comes before the people, I believe the conditions of 1896 will be repeated. The appeal to the selfish individual interests will fail, while the appeal for the general welfare of the entire country will win. The American people are sound and wise. They will repudiate the purely political appeal and follow the larger and broader leadership, based on sound economic principles which promise benefits not merely to individual taxpayers, but to agriculture, manufacture, commerce, industry, and trade of every kind, and to all the people in the land.

Even the appeal to the so-called poorer classes is without any real foundation. A married man with an income of less than \$5,000 does not pay any income tax if he has the ordinary family of a wife and three children unless his net income exceeds \$3,700, and under the earned-income provisions of this bill those who pay any tax will have a further reduction of 25 per cent on at least \$5,000 and as high as \$20,000 of their income. According to the Treasury Department, unmarried persons who have an exemption of \$1,000 paid into the Treasury \$150,000,000 more than they would have paid if their exemption had been \$2,500. Under the pending bill this amount will be reduced by 25 per cent in accordance with the earned income section.

I have procured a reliable compilation of the earnings of various classes of people as shown by the best available statistics and records in the Library of Congress. These show that the annual earnings for the classes stated below are as follows:

INDUSTRIAL GROUPS.	
Agriculture and related industries.....	\$1,758
Mining and quarrying.....	2,835
Manufacturing.....	3,332
Construction.....	3,330
Transportation and other public utilities.....	2,141
TRADES.	
Public service, professional, amusements, hotels, etc.....	\$2,964
Finance, banking, insurance, etc.....	3,619
Special cases, businesses not sufficiently defined to be classed in any other division.....	2,811

The report of the United States Coal Commission on the anthracite industry shows that miners' laborers in 1921 earned from \$100 to approximately \$3,000 during the year, depending upon the number of days employed. Out of a total of 76,016, only 3,037 earned over \$1,400. Outside men in the anthracite industry earned from \$100 to \$4,000, also depending upon the number of days employed, and the largest numbers in wage groups earned under \$2,000, only 1,856 earning \$2,000 and over.

In the bituminous coal industry, according to the report of Ethelbert Stewart, filed as Senate Document 171 of the Sixty-seventh Congress, the average earnings for pick miners, machine miners, and loaders, assuming each person to have worked every day of operation and to have earned as much per turn as during the pay period taken, were \$1,357.40.

RAILWAY EMPLOYEES—CLASS I RAILROADS.	
Actual average annual compensation, April, 1923.....	\$1,591.04
UNITED STATES STEEL CO. WORKERS.	
Average annual wage paid to employees in 1921.....	\$1,739.00
MALE FARM LABOR.	
Average wage per month, 1923:•	
With board.....	\$33.18
Without board.....	46.91

TEACHERS.

Average annual salaries, 1921 to 1922, in all cities, except New York, from 2,500 population and over:

Elementary school teachers	\$1,524
Junior high school teachers	1,565
Elementary school principals	1,968
Junior high school principals	2,218

FEDERAL GOVERNMENT EMPLOYEES.

Average salaries as reported for classification purposes:

Service group.	Average basic salary.
Professional and scientific	\$2,845
Subprofessional	1,806
Clerical, administrative, and fiscal	1,533
Custodial	758
Clerico-mechanical	979

MUNICIPAL EMPLOYEES.

An investigation, covering 27 cities in the United States, by the New York Chamber of Commerce, whose results were published in the American City Magazine for October, 1923, shows the following figures:

Policemen.	
Annual salary range	\$1,200 to \$2,280
Average maximum salary	1,852
Average minimum salary	1,585
Firemen.	
Annual salary range	\$1,200 to 2,280
Average maximum salary	1,821
Average minimum salary	1,591

BUILDING TRADES.

These trades include carpenters, cement finishers, electricians, hod carriers, building laborers, lathers, painters, plasterers, plasterers' helpers, bricklayers, elevator constructors, gas fitters, hoisting engineers, marble-cutters, marble-setters, masons, ornamental-iron workers, pipe coverers, plumbers, roofers, sheet-metal workers, steam fitters, steam fitters' helpers, structural ironworkers, and tile setters.

Their wages vary throughout the country, but even in the largest cities they rarely exceed \$1.25 an hour, or a total of \$10 for a working day. Very few of these trades are employed every day of the year, but, assuming that they should work 300 days, their total earnings would not be over \$3,000.

OTHER WORKERS.

It is needless to say that very few skilled or unskilled workmen in the United States get as high rates of wages as the men in the building trades in the large cities. I will insert some further figures proving this statement.

Research Report No. 62 of the National Industrial Conference Board, published in September, 1923, shows that the average weekly earnings of composite and classified groups of labor in 23 industries in June, 1923, earned \$27.12, classified as follows:

For all male wage earners	\$28.97
For all male unskilled wage earners	23.14
For male skilled wage earners	30.90
For women wage earners	17.94

These figures show that very few of the wage earners and farmers of the country pay any substantial income taxes directly, but they all pay their full share of the taxes, which are diffused and passed on to the ultimate consumers.

With reference to the building trades, I am myself familiar with the conditions in Chicago, and I have ascertained the situation in New York and other large centers of population, and I find that the average wages of all these building trades, which I have enumerated above, are below those paid in Chicago and New York, where the average of such wages is not over \$1.25 an hour for eight hours' work, making a daily average of \$10. None of these men are employed throughout the whole year, but if they were, if they are heads of families, they would earn only \$3,000, which, as I said before, would place them in the exempt class of taxpayers.

I have gone into these details for the purpose of showing that this much vaunted and boasted solicitude for the "poor man" and the "wage earner" and the "average man" has not much foundation in fact. The thing that will benefit the people of this country will be the maintenance of prosperity. A workingman will be worse off even with a larger reduction in his income tax—if he pays any—if he loses one week of employment or even two or three days of employment, by reason of the high surtaxes driving capital into nonproductive enterprises, than he would be with a smaller reduction of his income tax.

The CHAIRMAN. The time of the gentleman from Illinois has expired.

Mr. HAWLEY. Mr. Chairman, I yield to the gentleman two minutes more.

The CHAIRMAN. The gentleman from Illinois is recognized for two minutes more.

Mr. CHINDBLOM. I will insert in the Record, because I have not time now to present it to the House, a résumé or discussion of certain administrative features of the bill, including the section on the board of tax appeals, which was particularly assigned to me in the consideration of this matter before the House by the Committee on Ways and Means. Perhaps I shall have an opportunity to discuss those questions if any interrogatories should be propounded when we reach them under the five-minute rule.

Mr. MURPHY. Mr. Chairman, will the gentleman yield?

Mr. CHINDBLOM. Yes; I promised the gentleman from Ohio I would yield to him.

Mr. MURPHY. The gentleman has made a very excellent and logical speech on taxation, and it was a real treat to my intelligence. I am particularly interested in getting the gentleman's views with reference to bringing in taxes in the proposed bills now pending before the House. Will they produce enough revenue to take care of the soldiers' adjusted compensation?

Mr. CHINDBLOM. I will say to the gentleman that of course I know he has asked that question of all the members of the committee.

Mr. MURPHY. I am honestly seeking for information.

Mr. CHINDBLOM. I know that. I do not know that I can speak for other individuals on the committee besides myself, but I saw no indication that the individual members of the committee sought to take into account any other expenditures of the Government than those already provided for by law. We sought means to reduce the amount of revenues to be collected with a view of meeting expenditures known at present. If additional expenditures are taken into consideration, such as the proposed soldiers' adjusted compensation, the proposals to increase the pay of postal employees and to increase the pay of employees in other departments, if any of these are adopted they will make new drains upon the Treasury; but our duty at this time, in the construction of this bill, was to consider the surplus which had accumulated and which is available for the reduction of taxes, and we kept within the estimates of the Treasury Department in that matter. It is said that the tax reduction is \$330,000,000. It is more than that; I think it is more nearly \$390,000,000, but \$80,000,000 are added to the receipts formerly obtained by various provisions in the bill which we hope will stop evasions and stop gaps in the payment of taxes. [Applause.]

The CHAIRMAN. The time of the gentleman from Illinois has again expired.

Mr. HAWLEY. Mr. Chairman, I yield to the gentleman three minutes more.

The CHAIRMAN. The gentleman from Illinois is recognized for three minutes more.

Mr. MURPHY. Mr. Chairman, will the gentleman yield further?

Mr. CHINDBLOM. Yes, sir.

Mr. MURPHY. In view of the condition that has come about in Congress since this bill was introduced, whereby no party can claim the credit for the passage of the tax measure as it now stands, or assert that it will be either a Democratic or a Republican plan of tax reduction—in that event what chance will there be, under the figures you have been working with, for the proposal for the soldiers' adjusted compensation?

Mr. CHINDBLOM. If the Democratic proposal is accepted we would not only use up the surplus of \$330,000,000, but we would have a deficit of \$300,000,000 in the Treasury, with which I presume the Democratic Party would try to pay the soldiers' bonus.

Mr. MURPHY. On what figures does the gentleman base his judgment?

Mr. CHINDBLOM. On the actual returns for the year 1921 and on the figures as far as known for the receipts for 1923. The latter, however, have not been tabulated as yet or published. But the Treasury Department, and particularly the actuary, has taken them into account in furnishing the estimate, which estimate, I believe, is entirely reliable.

Mr. MURPHY. Did the gentleman hear the statement of the gentleman from Illinois [Mr. RAINEX], who brought to our attention two sets of figures that were furnished, of which one set was taken advantage of when the President vetoed the soldiers' compensation bill?

Mr. CHINDBLOM. I know that the actuary who has furnished us with the figures that we have used for this bill has not made any substantial error since he first began making estimates and studying the receipts of the Government when the first income tax law was adopted back in 1913.

Mr. WATKINS. Will the gentleman yield for a question?

Mr. CHINDBLOM. What is the gentleman's question?

Mr. WATKINS. As a matter of fact, did not the actuary of the Treasury Department estimate on the 1921 yield that the Garner plan would bring in \$100,000,000 more than the Mellon plan?

Mr. CHINDBLOM. I did not catch the gentleman's question.

Mr. WATKINS. Did not the actuary of the Treasury Department, Mr. McCoy, estimate upon the returns of 1921—the latest and only full available ones—that the Garner plan would bring in \$100,000,000 more than the Mellon plan?

Mr. CHINDBLOM. I do not know what estimates the gentleman from Texas [Mr. GARNER] received. I am speaking about matters which were actually presented before the Committee on Ways and Means.

Mr. WATKINS. I am asking whether Mr. McCoy did not state that as a matter of fact?

Mr. CHINDBLOM. Before the committee?

Mr. WATKINS. Did not Mr. McCoy state that under the Garner plan \$100,000,000 more would be received than under the Mellon plan?

Mr. CHINDBLOM. I never heard it before the committee.

Mr. WATKINS. Well, anywhere?

Mr. CHINDBLOM. I do not know what Mr. McCoy may have stated to the gentleman from Texas [Mr. GARNER], and I am not concerned with what Mr. McCoy said elsewhere than in the committee.

Mr. McSWAIN. Will the gentleman yield?

Mr. CHINDBLOM. Yes.

Mr. McSWAIN. Would he not tell the truth anywhere?

Mr. CHINDBLOM. Certainly he would; but as far as I am concerned, I have nothing before me, nor has the Congress, except what he said in the hearings before the Committee on Ways and Means. [Applause.]

The CHAIRMAN. The time of the gentleman has expired.

Mr. CHINDBLOM. Under the leave to extend, I wish to add the following statement prepared by myself:

BENEFITS TO THE PEOPLE.

The first and immediate benefit or relief to the people under the proposed bill will be the reduction in the 1923 taxes, payable in the current year 1924. This reduction is in the form of an allowance by credit or refund of 25 per cent of the amount shown as the tax upon the return of the taxpayer for the calendar year 1923.

The further financial benefits to the taxpayers under this bill include the reduction in income taxes, both normal taxes and surtaxes, the credit on account of earned income, and certain reductions in penalties and interest where deficiency in tax or failure to pay is not due to fraud, with intent to evade the tax, failure to file return without reasonable cause, or to willful refusal to make return or pay or collect the tax or furnish information, or to any other willful attempt to defeat or evade the tax. Under the bill the normal tax on the first \$4,000 of net income is fixed at 3 per cent and upon the remainder of the net income at 6 per cent. The surtax rates begin at 1 per cent on net income from \$10,000 to \$12,000; an additional 1 per cent for each \$2,000 of net income up to \$36,000; then 1 per cent additional for the next \$4,000 of net income up to \$40,000; and 1 per cent additional for each \$6,000 of net income up to a total of 25 per cent at \$100,000 and over.

The reductions in income taxes are estimated at about \$220,000,000 per annum. In addition thereto there are reductions in special taxes, including taxes on admissions, and various excise taxes, occupational taxes, and stamp taxes, all aggregating \$108,000,000.

Earned income is entitled to a credit of 25 per cent of the amount of the tax attributable to such income up to \$20,000, and \$5,000 of every net income is considered and treated as earned income and entitled to the credit of 25 per cent.

Under the 1921 law notice of protest or objection had to be filed with the payment of the tax in order to preserve the right of future review. The result was that all taxpayers who had proper legal advice—and this, of course, included all large taxpayers—paid under protest and secured the benefits of reconsideration and adjudication by the courts, while other taxpayers lost the benefit of departmental or court review. In the proposed bill no notice of protest or objection to the tax is required.

In the matter of interest, the interest rate has been reduced from 6 per cent to 5 per cent, in harmony with the improved money market, and the taxpayer is allowed interest from the Government where he has made excess payment just as the Government is allowed interest where the taxpayer has made insufficient payment.

While every effort has been made in the bill to prevent evasion and avoidance of the tax imposed, numerous administrative provisions have also been included which are designed to relieve the taxpayer of annoyance and undue hardship. The 1921 law imposed double penalties of 5 per cent of the total amount of a deficiency, plus interest of 1 per cent per month from the date the tax was due, where the deficiency in the tax was due to mere negligence, and imposed similar double penalties for failure to pay the tax at the time prescribed for such payment. The pending bill eliminates one of these penalties. In the 1921 law the mere failure to file a return and to pay or collect a tax or to furnish required information subjected the taxpayer to a special penalty of not more than \$10,000, but under both the 1921 law and the pending bill such taxpayer would have to pay interest from the date the tax was due. A willful refusal to make a return or to pay or collect a tax or to furnish information, or any other willful attempt to defeat or evade a tax is subject to the same specific penalty in the pending bill as in the 1921 law, viz, penalty of not more than \$10,000 or imprisonment for not more than one year, or both. In the matter of estate taxes there are some changes in penalties, but in every such case the penalty is enlarged with a view to strengthening the law.

I insert a statement showing the penalties both in the act of 1921 and in the pending bill as to income taxes and estate taxes, which was prepared at my request by the Treasury Department:

PENALTIES—INCOME TAX TABLE.

AD VALOREM PENALTIES.

In case of deficiency in tax due to negligence:

Present law: Five per cent of the total amount of the deficiency plus interest at the rate of 1 per cent a month from the time the tax was due. (Sec. 250 (b).)

The bill: Five per cent of the total amount of the deficiency. (Sec. 275 (a).)

In case the deficiency or any part thereof is due to fraud with intent to evade tax:

Present law: Fifty per cent of the total amount of the deficiency. (Sec. 250 (b).)

The bill: Same as present law. (Sec. 275 (b).)

Failure to pay tax on day or within period prescribed for the payment thereof:

Present law: Five per cent of the amount unpaid plus interest at the rate of 1 per cent a month from the date prescribed or the expiration of the period prescribed for payment until such amount is paid. (Sec. 250 (c).)

The bill: Interest at the rate of 1 per cent a month on the unpaid amount from the date prescribed for payment or the expiration of the period prescribed for payment until paid. (Sec. 276.)

Failure, without reasonable cause, to file return within the time prescribed for the filing thereof:

Present law: Twenty-five per cent of the amount of the tax. (Sec. 3176 R. S. as amended.)

The bill: Same as present law. (Sec. 3176 R. S. as amended.)

SPECIFIC PENALTIES.

Failure to file return, pay or collect tax, or furnish required information:

Present law: Penalty of not more than \$1,000. (Sec. 253.)

The bill: No specific penalty.

Willful refusal to make a return, pay or collect tax, or furnish information, or willful attempt in any manner to defeat or evade tax:

Present law: Penalty of not more than \$10,000 or imprisonment for not more than one year, or both. (Sec. 253.)

The bill: Same as present law. (Sec. 1017 (a).)

ESTATE TAX.

AD VALOREM PENALTIES.

Failure, without reasonable cause, to file return within the time prescribed for the filing thereof:

Present law: Twenty-five per cent of the amount of the tax. (Sec. 3176 R. S. as amended.)

The bill: Same as present law. (Sec. 3176 R. S. as amended.)

False or fraudulent return or list willfully made:

Present law: Fifty per cent of the tax. (Sec. 3176 R. S. as amended.)

The bill: Same as present law. (Sec. 3176 R. S. as amended.)

Failure to pay tax within the period prescribed for payment:

Present law: Six per cent per annum from the expiration of the period for payment until paid. (Sec. 406.)

The bill: One per cent a month from the expiration of the period prescribed for payment until paid. (Sec. 309.)

Failure to pay a deficiency within the period prescribed for the payment thereof:

Present law: Ten per cent per annum from the expiration of such period until paid. (Sec. 407.)

The bill: One per cent a month from the expiration of such period until paid. (Sec. 309 (b).)

SPECIFIC PENALTIES.

Making knowingly of false statements in any notice or return:

Present law: Maximum penalty of \$5,000 or imprisonment not exceeding one year, or both. (Sec. 410.)

The bill: Same as present law. (Sec. 817 (a).)

Failure to produce papers required:

Present law: Maximum penalty of \$500. (Sec. 410.)

The bill: Same as present law. (Sec. 817 (b).)

Willful refusal to make the required return, pay or collect tax, or furnish information, or willful attempt in any manner to defeat or evade tax:

Present law: No penalty other than that of \$5,000 mentioned above as appearing in section 410.

The bill: Maximum penalty of \$10,000 or imprisonment for not more than one year, or both. (Sec. 1017 (a).)

BOARD OF TAX APPEALS.

The largest administrative benefit and relief given the taxpayers in the pending bill is the provision for the establishment of a board of tax appeals in Title IX, beginning on page 205 of the bill. In this connection, it is interesting to observe the present procedure covering appeal or review in the Treasury Department. There is at present no administrative body or, in fact, no judicial authority, outside of the Treasury Department itself, which may review the action of that department in income or estate tax matters, prior to the actual call for payment or, in other words, the actual maturity of the obligation to the United States. Under the revised statutes, as well as the general administrative provisions of both the 1921 law and the proposed bill, a taxpayer may not enjoin the collection of a tax assessed against him, but must pay the tax and then sue for the recovery thereof and thus secure a judicial determination of his rights. Of course, the right to seek relief, if payment is inadequate, frequently imposes great hardship. On the present procedure covering the taxpayer's right to appeal in the Treasury Department, I have received the following statement from the department:

PROCEDURE GOVERNING THE TAXPAYER'S RIGHT TO APPEAL.

Upon the discovery by the income-tax unit of a deficiency in the tax of any taxpayer, the taxpayer is notified by registered mail. Attached to the letter is a statement showing the facts on which the findings of the unit are based. There is also attached a copy of Treasury Decision 3492, which outlines the rights of the taxpayer to an appeal to the commissioner from the findings of the income-tax unit within a period of 30 days from the date the notice of the deficiency is mailed. If no appeal is received within the 30-day period, the deficiency as determined by the income-tax unit is assessed.

If the taxpayer files an appeal, the appeal is first referred to the income-tax unit and a date is set for a hearing if the taxpayer desires to appear in person or by attorney. If no hearing is requested, the unit reconsiders the case in connection with such additional information as has been submitted by the taxpayer. The taxpayer is then notified of the result, and if it is unsatisfactory to him he may still request a hearing before the income-tax unit within 20 days after the mailing of the second notice.

If a hearing is requested and the result is not satisfactory, the taxpayer is then permitted to go before the committee on appeals and review. The file in the case is forwarded by the unit to the committee, which gives the taxpayer a further opportunity to be heard. The case is assigned to one member or three members of the committee, depending on the nature of and complications in the case. When the findings of the member or members of the committee are approved by the chairman, the case is then forwarded to the commissioner, and upon being approved by him, the deficiency, if any, finally determined to be due is assessed.

If at any time during this procedure the taxpayer declines to prosecute his appeal further, the deficiency last determined to be due is assessed.

It will be noted that there is now a committee on appeals and review, but this committee or divisions thereof merely act for and on behalf of the commissioner and report their findings to the commissioner, who thereupon takes final action, but of course in most cases his approval is a matter of form and routine. In fact, where he stops to give any consideration, he generally refers the case to his solicitor, who in his turn again acts for and on behalf of the commissioner. Through all of these proceedings the Treasury Department is the party in interest, the plaintiff or prosecutor, the court or jury, and the final beneficiary and the final judgment or decree creditor, and, it might be added, the sheriff or marshal serving execution and making collection. More than that, the person deciding the appeal is both advocate and judge, since he represents throughout the proceedings the department of the Government which is seeking the collection of

the tax, while he also has the power to determine the rights and obligations of the taxpayer. In addition, under the present law an erroneous or prejudicial decision in favor of the Government still allows the taxpayer the opportunity, notwithstanding all those difficulties, of securing a review in the courts after payment of the tax, while a decision against the Government or in favor of the taxpayer leaves the department and the Government without any further recourse.

The further objection has been made that under the present law every taxpayer seeking relief even under present conditions must come to the National Capital to present his case. The bill seeks to remedy this complaint.

The proposed bill provides that a board of tax appeals, composed of not more than 28 and not less than 7 members, shall be appointed by the President, with authority to determine all appeals from the assessment of additional income, war-profits, excess-profits, and estate taxes. They are to receive \$10,000 per year each and are to sit locally throughout the United States. Both the Government and the taxpayer may appear before the board. The proceedings are to be more or less informal, but findings of fact are to be made matters of record. If the decision is against the taxpayer, he may still seek court review, but he must first pay the tax assessed. If the decision is against the Government, the Commissioner of Internal Revenue may also seek remedy in the courts in a suit brought for that purpose. In all proceedings for court review the findings of fact, shall have the force of prima facie evidence. It is believed that this procedure will meet the objections heretofore made to the opportunity for review or reconsideration in the Treasury Department.

The witnesses which appeared before the committee at the hearings and several large business organizations who passed resolutions upon the subject, as well as various taxpayers and practitioners before the department, almost universally urged that the appointment of the board should be made by the President rather than by the Secretary of the Treasury, so as to make certain that the board would be altogether independent of the department. The main objection to appointment by the President was the possibility of such appointments becoming more or less in the nature of political patronage, particularly if subject to advice or consent by another authority.

Suggestion has been made that the board of appeals should be made a judicial body with full authority to dispose of its cases and subject only to review by appellate tribunals. It is believed that this would interminably delay action by the board, as all the forms of judicial procedure, with technical rules of evidence and preservation of the evidence itself, would have to be followed. Quick action is one of the things most greatly desired in the work of the board of appeals. A delay of justice is often a denial of justice, particularly in disputes involving large sums of money.

Mr. TAYLOR of West Virginia. Mr. Chairman and gentlemen of the House, two things are said to be absolutely certain—death and taxes. As man tries to evade the first alternative, so will be endeavor to shift the latter, and it is because of this outcropping of human weakness that this House has been engaged in a four-day forensic struggle, and the end is not yet.

I am committed to the principle of tax reduction. The country is groaning under the burdens of taxation, piled on by municipalities, districts, counties, States, and finally by the Federal Government. We are perhaps hit the hardest by Federal taxes, because of the fact that the average man, from the time he rises in the morning until he winds his luxury-taxed alarm clock at night, is called upon in some form or other to pay tribute. Very often, since the Fordney-McCumber tariff tax has permitted the trusts and gigantic corporations to exact tribute from him, he pays tax unknowingly but just as surely, and often feels oppressed without being able to point to a specific thing that oppresses him. He only knows that something is wrong in our economic scheme and that he does not prosper in accordance with his effort.

In order to have tax reduction we must also have a reduction of expenditures. This is not an argument against the soldier bonus. The bonus should be treated as war cost, which it undoubtedly is, and paid by an issue of 50-year bonds. In this way we could do justice to those who served us loyally in time of need and at the same time have a substantial reduction in taxes; but, as I stated, we can not have reduction of taxes without reduction of expenditures. We can not hope to eat our cake and have it, too, and with this knowledge we on the Democratic side have consistently sought to lop off from the appropriation bills heretofore presented all those items not specifically sanctioned by law, and have only voted for a few increases where it has been conclusively shown that great public good

would result. We can have Federal tax reduction this year because there is estimated to be a surplus in the Treasury of over \$300,000,000. But how much of a reduction shall we have and where shall it start? These are questions on which we differ.

We are all more or less creatures of our environment. Our thoughts and our actions are largely born of our material association in life, and try as we may, it is difficult to rise above or entirely disassociate our minds from our surroundings. Mr. Mellon, Secretary of the Treasury, is a very rich man. Some one stated here on the floor that he was the second richest man in the United States. Mr. Mellon wants tax reduction. In the formulation of his tax scheme it is only fair to assume that, unconsciously perhaps, he is motivated by his surroundings, his training, his condition in life. As a member of the President's Cabinet Mr. Mellon comes in constant contact with men of large affairs. He has entrée into the exclusive clubs where, if "shop talk" is not taboo, millions are discussed as calmly and as coolly as I would speak of hundreds. Prior to assuming his Cabinet position he sat about a director's table and directed the affairs of gigantic corporations, whose assets run into many millions. I say these things in no disrespect. I do not charge that Mr. Mellon seeks to do injustice to the less fortunate people of this country, but I do charge that Mr. Mellon, unacquainted with poverty, is minus the common touch and that he seeks tax reduction from the viewpoint of the man of wealth, who knows nothing of the "short and simple annals of the poor" or of their struggle for existence.

And what I say concerning the attitude of mind of Mr. Mellon, due to his environment, can also be said of those of us in the humbler walks of life. We, too, are motivated to a large extent by previous training, experience, observation, and contact with life. Many of us have known the pinch of poverty over a period of years, the discomforts of being poor, the doleful resonancy of an empty flour bin, the feel of threadbare clothing, the dread of winter, the specter of want. Are we, then, who have the common touch, who are Gethsemane pilgrims through this vale of tears, less patriotic than Mr. Mellon if, believing firmly in a reduction of taxes, we are prone to suggest that reduction must begin at the other end of the line? Yet I have heard the question of patriotism raised against those who do not think as Mr. Mellon does.

The preamble of our Constitution enumerates the things for which that great document of freedom and liberty was written. Among these we find that to "promote the general welfare" came after the establishment of justice, the insurance of domestic tranquillity, and provision for the common defense. In what better way, let me ask, could we at this time promote the general welfare than by a scheme of tax reduction calculated to give the greatest reduction to the greatest number? I know of no better way, and for this reason I shall vote for the Garner plan of tax reduction, because it seeks to bring the greatest good to the greatest number. This is true democracy.

Aside from the argument of motive and environment I would look with distrust upon the Mellon tax plan because of the great scheme of propaganda carried on for weeks in its defense. If the Mellon plan is as good as the gentlemen on the floor of this House have stated, then it did not need the support of all the special interests of the country that tried to put it over. During the past few weeks I have received hundreds of letters from my State urging me to vote for the Mellon plan. Letters came from Wheeling, Clarksburg, Parkersburg, Huntington, Elkins, Bluefield, and other cities not in my district. In every instance the letters were addressed to "Alfred J. Taylor." Inasmuch as the "J" in my name comes first, it is not reasonable to conclude that each of the writers had made the same common error, but it is reasonable to conclude that each letter was part of a well-defined scheme of propaganda to force me into voting for Mr. Mellon's bill. This is what I call "obeying instructions to the letter."

To one of the persons who urged me to support the Mellon bill I sent a copy of the Garner plan. Immediately I received a reply, "I think the Garner plan is best. Vote for it." Another man writes that he knows nothing about either the Mellon or the Garner plan, but that he did sign a typed letter asking my support of the Mellon plan, because his boss had asked him to and had furnished him with an addressed, stamped envelope.

The laborer, the small merchant, the teacher, the preacher, the clerk, the miner, the railroad wage earner, the farmer, the small coal operator, the lumbering man, and others of like interest make up the bulk of our population. I am for tax reduction which will relieve the tax burdens, and in being for these people I am not necessarily against the men of wealth. I am only seeking to give to the common people some of the

benefits that have been denied them whenever government has gravitated to the hands of special interests. Abraham Lincoln, whose memory was so generously and deservedly lauded here the other day, once remarked that "God must have loved the poor people because he made so many of them." So long as the poor are in the majority Government should never be used against them and Congressmen should not be afraid to plead their cause.

For many years the question has been asked: "Which existed first, the hen or the egg?" I have heard excellent arguments on both sides. I have also listened to great discussions about capital and labor; yet there is no contention as to which existed first. Capital is a creation of labor. Each has its place, each is useful, each is dependent to some extent upon the other; yet the fact remains that men of wealth are looked up to, are given preference, are fawned upon, and toadied to, and the result has been in the past that much legislation has been enacted in their behalf. I contend that this is wrong and that the greatest good of the greatest number should be uppermost in the minds of all legislators, both State and national. Wealth will take care of itself, as it has always done.

The trend of the times caused me, some time ago, to write and publish a little prose poem which expresses my feelings in the matter. I give it:

WHY SHOULD IT BE SO?

A fifty-dollar dinner for a party of two,
Twenty-five cents for a cheap beef stew;
One hundred thousand for jewels to choose,
Less than three dollars to buy children shoes;
A mansion of marble, with servants a score,
A cot of three rooms, with a bare, cold floor;
One thousand acres to make a golf course;
Corn on a hillside, an old bony horse;
A yacht on blue water, a raft on a pond;
A debit on one side, on the other a bond;
Good food and warm clothing and nurses to please;
Ragged and threadbare, a cough and a sneeze;
Palm Beach and sunshine, snowdrifts and cold;
Smiling and happy, despondent, and old—
The contrast lengthens and fills us with woes;
With plenty for all, why should it be so?

Mr. Chairman and gentlemen, there are, of course, many economic inequalities which can never be cured by legislation and only the foolish would try, but when we address ourselves to the task of legislating for men instead of money, when we really and truly seek to promote the general welfare by our acts here, then many of the contrasts of life will disappear and a greater era of prosperity and good feeling will be ushered in. My earnest and honest conviction is that this can best be hastened at this time by the enactment of the Garner tax-reduction plan and it will have my full support. [Applause.]

Mr. COLLIER. Mr. Chairman, I yield to the gentleman from Oregon [Mr. WATKINS] such time as he may desire.

Mr. WATKINS. Mr. Chairman, tax reduction is an economic question and should be so treated. Politics should not enter into it, and the sooner this House quits playing partisan politics on vital questions affecting the welfare of the American people the sooner will this House merit the full respect and complete confidence of the people of this Nation. On the other hand, favoritism must cease; every taxpayer must be treated the same, every business dealt with on the same basis.

The object of a revenue bill is to produce money enough to operate the Government; the underlying basis of such a measure should be equity. The vice of the Mellon plan, as I dissect it, is that it is not equitably apportioned, for as I pointed out a few days ago, as disclosed by the latest available figures in the State of Oregon, two men with an income of from \$1,000,000 to \$1,500,000 each by the Mellon plan get a reduction of \$251,800 each, making a total of \$503,600, whereas in the same State there are 14,524 persons reporting and paying on incomes from \$3,000 to \$15,000, inclusive, who receive reductions ranging from \$5 to \$310, totaling for the entire 14,524 persons a total reduction of \$490,095. In other words the two millionaires were reduced \$23,505 more than the 14,524 persons whose incomes were \$15,000 and under, and most of them were under \$4,000. In fact, it would take 20,942 persons in Oregon with an income of \$5,000 each to save a sum equal to that saved by the two Oregon millionaires if the Mellon plan is approved.

As long as every State is here trying to grab everything in sight—whether it is exemptions on yachts, motor boats, and chewing gum, or appropriations for veterans' hospitals or reclamation and irrigation funds—I propose to battle for Oregon and the taxpayers of that much-abused and long-

neglected Commonwealth, and to that end I shall oppose by voice and vote the Mellon plan.

The following table shows the unfairness of this measure in so far as Oregon is concerned:

Table showing how Mellon and Garner plans affect the taxpayers of Oregon who pay on incomes from \$3,000 to \$15,000, inclusive, as compared to the persons in Oregon who pay on incomes from \$100,000 to \$1,500,000.

Income class.	Number of returns in Oregon.	Saving per person, Mellon plan.	Total saving of all persons in Oregon under Mellon plan.	Percentage reduction, Mellon plan.	Saving per person, Garner plan.	Percentage reduction, Garner plan.	Total saving of all persons in Oregon under Garner plan.
\$3,000.....	5,145	\$5.00	\$25,725	25.00	\$20.00	100.00	\$102,900
\$4,000.....	4,148	15.00	62,220	25.00	40.00	66.67	165,320
\$5,000.....	2,126	25.00	53,150	25.00	60.00	60.00	127,590
\$6,000.....	1,000	40.00	40,000	25.00	80.00	50.00	80,000
\$7,000.....	638	70.00	44,520	28.00	130.00	52.00	82,680
\$8,000.....	413	100.00	41,300	23.41	180.00	52.94	74,340
\$9,000.....	279	130.00	36,270	30.23	230.00	53.49	64,170
\$10,000.....	238	160.00	38,080	30.76	280.00	53.85	66,640
\$11,000.....	146	190.00	27,740	30.64	320.00	51.61	46,720
\$12,000.....	137	220.00	30,140	30.55	360.00	50.00	49,320
\$13,000.....	96	250.00	24,000	30.12	400.00	48.19	38,400
\$14,000.....	78	280.00	21,840	29.78	440.00	46.81	34,320
\$15,000.....	81	310.00	25,110	29.24	480.00	45.28	38,880
Total.....	14,524		480,095				1,062,250
\$100,000.....	2	10,300.00	20,600	34.17	3,670.00	12.18	7,340
\$1,000,000.....	2	251,800.00	503,600	45.72	74,170.00	13.47	148,340
Total.....	4		524,200				155,680
Grand total.....	14,528		1,004,295				1,217,930

A casual glance at the Mellon plan discloses rank favoritism to the man who earns upward of \$85,000 and downright injustice to the wage earner and small business man with incomes from \$2,000 to \$5,000. In the case of the man with an income of \$85,000, the Mellon plan reduces his tax 30.92 per cent, the man with an income of \$90,000 gets a reduction of 32.04 per cent, the man with \$95,000 gets a reduction of 33.14 per cent, and the man with \$100,000 gets a reduction of 34.17 per cent, but the fellows with the small incomes of \$3,000, \$4,000, and \$5,000 get only a 25 per cent reduction in their tax.

Now, the Garner plan works to the advantage of the small man, as the following data will disclose:

The tax on an income of \$3,000 is reduced 100 per cent.
 The tax on an income of \$4,000 is reduced 66.67 per cent.
 The tax on an income of \$5,000 is reduced 60 per cent.
 The tax on an income of \$6,000 is reduced 50 per cent.
 The tax on an income of \$85,000 is reduced 14.7 per cent.
 The tax on an income of \$90,000 is reduced 13.65 per cent.
 The tax on an income of \$95,000 is reduced 12.76 per cent.
 The tax on an income of \$100,000 is reduced 12.31 per cent.

Furthermore, 200 persons with a combined income of \$1,000,000 save under the Mellon plan a total of \$5,000, whereas the one man with an income of \$1,000,000 saves the huge sum of \$251,800. This situation I charge is an indictment of the Mellon plan of rank inequality, pandering, as it were, to the rich and exacting its pound of flesh as well as its drop of blood from the man with a small income.

In this country 6,650,695 persons make income-tax returns; of this number 62,804 dwell within the State of Oregon. If the Mellon plan is adopted, 28 taxpayers in Oregon will be benefited more than if the Garner plan is translated into law, whereas, if the Garner measure is adopted 62,776 Oregon taxpayers will be benefited more than if the Mellon plan were approved; therefore, the utilitarian theory of the greatest good to the greatest number is a splendid rule for us in this legislation, especially in view of the fact and statements by nearly everybody that any of the plans presented will afford enough revenue for the Government. It simply resolves itself into the proposition of whom we shall make pay, the fellow who is able or the many who are actually living from hand to mouth.

With reference to the amount of revenue to be derived from the proposed plans, the only statement anywhere submitted is that of the actuary of the Treasury Department, Mr. McCoy, who stated that, using 1921 as the guide, the Garner plan would yield \$100,000,000 more than the Mellon plan. If anybody is able to prognosticate what the future will develop, I assert that McCoy is that man in so far as future revenue is involved. This premise being true, every Member favoring adjusted compensation should vote for the Garner plan, for thereby we have \$100,000,000 more than under the Mellon plan.

If the Mellon plan will yield sufficient revenue and the Garner plan will yield \$100,000,000 more, then we can well

afford to repeal the excise taxes on jewelry, automobiles, tires, parts, tubes, and accessories. This I shall move to do when we reach those schedules, if some one else does not so act. I say this to you, not in the form of a threat, but simply as a warning as to my present intentions.

The following table will be of immense value, not only to Oregon taxpayers but taxpayers everywhere:

Comparative table showing the saving of taxpayers of Oregon under the Mellon and Garner proposals and the present law.

INCOME TAX UPON SPECIFIED INCOMES OF MARRIED PERSONS WITH TWO DEPENDENTS, UNDER THE PRESENT LAW AND CERTAIN PROPOSED REVISIONS.

Net income.	Present law.	Mellon proposal.	Democratic proposal.
\$2,000.....			
\$3,000.....			
\$4,000.....	\$28	\$21	\$4
\$5,000.....	68	51	24
\$6,000.....	128	96	44
\$7,000.....	186	132	64
\$8,000.....	276	192	84
\$9,000.....	366	252	108
\$10,000.....	456	312	144
\$15,000.....	996	702	412
\$20,000.....	1,656	1,212	872
\$25,000.....	2,496	1,852	1,462
\$30,000.....	3,456	2,612	2,172
\$40,000.....	5,776	4,492	3,972
\$50,000.....	8,576	6,632	6,272
\$70,000.....	15,676	11,396	12,582
\$90,000.....	24,776	18,202	21,282
\$100,000.....	30,076	19,792	26,262
\$150,000.....	58,076	35,292	51,262
\$200,000.....	86,576	50,792	76,262
\$500,000.....	260,576	143,792	226,262
\$1,000,000.....	550,576	288,792	476,262

INCOME TAX UPON SPECIFIED INCOMES OF MARRIED PERSONS WITHOUT DEPENDENTS, UNDER THE PRESENT LAW AND CERTAIN PROPOSED REVISIONS.

Net income.	Present law.	Mellon proposal.	Democratic proposal.
\$2,000.....			
\$3,000.....	\$20	\$15	
\$4,000.....	60	45	\$20
\$5,000.....	100	75	40
\$6,000.....	160	120	60
\$7,000.....	250	180	80
\$8,000.....	340	240	100
\$9,000.....	430	300	140
\$10,000.....	520	360	180
\$15,000.....	1,060	850	460
\$20,000.....	1,720	1,260	920
\$25,000.....	2,560	1,900	1,510
\$30,000.....	3,520	2,660	2,220
\$40,000.....	5,840	4,540	4,020
\$50,000.....	8,640	6,680	6,320
\$70,000.....	15,740	11,440	12,630
\$90,000.....	24,840	18,250	21,330
\$100,000.....	30,140	19,840	26,310
\$150,000.....	58,140	35,340	51,310
\$200,000.....	86,640	50,840	76,310
\$500,000.....	260,640	143,840	226,310
\$1,000,000.....	550,640	298,840	476,310

Comparative table showing the saving of tax payers of Oregon under the Mellon and Garner proposals and the present law—Continued.

INCOME TAX UPON SPECIFIED INCOMES OF SINGLE PERSONS UNDER THE PRESENT LAW AND CERTAIN PROPOSED REVISIONS.

Net Income.	Present law.	Mellon proposal.	Democratic proposal.
\$2,000.....	\$40	\$30
\$3,000.....	80	60	\$20
\$4,000.....	120	90	40
\$5,000.....	160	120	60
\$6,000.....	240	180	80
\$7,000.....	320	240	100
\$8,000.....	420	300	140
\$9,000.....	510	360	180
\$10,000.....	600	400	220
\$15,000.....	1,140	810	520
\$20,000.....	1,800	1,320	980
\$25,000.....	2,640	1,960	1,570
\$30,000.....	3,600	2,720	2,280
\$40,000.....	5,920	4,600	4,080
\$50,000.....	8,720	6,740	6,380
\$70,000.....	15,820	11,500	12,680
\$90,000.....	24,920	16,940	21,380
\$100,000.....	30,220	19,900	26,370
\$150,000.....	58,220	35,400	51,370
\$200,000.....	86,720	50,900	76,370
\$500,000.....	260,720	145,900	226,370
\$1,000,000.....	550,720	298,900	476,370

The excise-tax sections present to us a puzzling conundrum. With mixed feelings of curiosity and concern I await the reverberations of the American people on this most peculiar and, to me, unsound and unjust form of taxation. What insidious and invisible influence dictates a policy which removes the tax on patent medicines, hair dyes, perfumes, toilet soap, canoes, chewing gum, yachts, motor boats, and the like, while retaining it on watches, clocks, marine glasses, field glasses, other jewelry, and automobile trucks, automobile wagons, tires, tubes, parts, and accessories? Is it the baneful influence of men like William Wrigley, the chewing-gum czar, or is it a desire on the part of this oily administration to sycophantize to luxury, to wealth, and to idleness at the expense of legitimate business?

Every railroad man has got to own a watch; every household has got to have a clock; every person of any pride, every lodge man throughout this wide land, as an article of necessity demands jewelry in its every form and under every name.

Every farmer must of necessity have an auto truck or automobile of some kind; every merchant throughout this Nation as a matter of necessity must own and operate automobiles.

These things are no longer articles of luxury; they are items of necessity. These things are no longer owned by the rich; everybody, in fact, must buy, use, and possess them.

The same can be said of yachts, chewing gum, hair dye, and patent medicines. Again I ask why this favoritism to wealth and luxury at the expense of legitimate enterprise? I pause for an explanation.

The jewelry tax has been reduced from approximately \$20,000,000 to \$13,000,000. How can the tax of \$13,000,000 be justified on an industry more necessary than hundreds of others when the tax has been entirely eliminated on chattels wholly nonnecessaries? Why exempt sporting goods, articles of fur, bowie knives, chewing gum, daggers, yachts, and motor boats, carpets and rugs, and circuses? Certainly a more equitable plan would be to prorate the deductions instead of playing favorites.

The following items will disclose the rank and outrageous discrimination with which this Mellon plan is saturated.

The following products were completely or totally relieved from war-time excise taxes by the act of 1921:

Perfumes, toilet waters, hair dyes, patent medicines, toilet soaps and powders, cereal beverages, mineral waters, musical instruments, sporting goods, chewing gum, candy, thermos bottles, articles of fur, carpets and rugs, picture frames, trunks, valises, purses, umbrellas, fans, men's wear, women's wear, soft drinks, ice cream, licensing of motion-picture films, yachts, motor boats, and canoes.

The following articles will be completely or totally relieved from war-time excise taxes under the Mellon plan:

Cereal beverages, fruit juices, still drinks, mineral waters, trunks, valises, purses, pocketbooks, etc., telegraph and telephone messages, leased wires, fountain syrups, hunting and bowie knives, carbonic acid gas, admissions under 50 cents, candy, dirks, knives, daggers, etc., liveries, and livery boots and hats, hunting and shooting garments, yachts and motor boats, carpets and rugs, bowling and billiards, portable light fixtures, fans, jewelry, theater seating tax, circuses, public exhibitions and entertainments, and stamp tax on produce sales.

The following items are subject to no relief whatever from special war-time excess taxes:

Motor vehicles, motor vehicle parts, tires and accessories, cameras, licenses for cameras, films and plates, automatic vending machines, automatic weighing machines, sculpture, paintings and bronzes, and cigars and cigarettes and accessories.

The only excuse thus far offered for exempting some and not others is that you can not collect those taxes repealed. In other words, a premium is placed on evasion, crookedness, and fraud. The crook is let off because he will not pay, and the honest, legitimate business man is doubly soaked because this Government is unable to force the slackers to toe the mark. For one I will not subscribe to such a doctrine. It is a surrender to the criminal; a wrong to the honorable. This policy is an advertisement to the business world that all the taxpayer need to do is to evade his responsibility or make the Government's burden arduous, whereupon his taxes will be repealed. This, Mr. Chairman, is indeed a sad, yet true, commentary on the framers of this Mellon revenue bill.

I have mentioned briefly just a few of the many reasons why I can not support the Mellon plan, but please understand me, I do not hold a brief for the jewelers and automobile owners to the extent that I want a repeal of all taxes; I do want them treated fairly, they should have an equal proportion of any rate reduction granted any other industry—and as between them and those classes exempt, already mentioned by me, I would prefer to reverse the schedule and favor the automobile owners and the jewelers at the expense of those articles of luxury and some, to my mind, of detriment to the human race.

You can not hope to have the confidence of the people until you treat everyone and every business on the same basis—equity for all; favoritism to none. And now, Mr. Chairman, at this point I want to insert an editorial on this subject printed in the Christian Science Monitor, January 22, 1924, which states the situation most aptly, with which I close and which editorial is as follows:

THE FEDERAL TAX ON MOTOR VEHICLES.

While the Congress of the United States is considering plans for tax reduction, including the recommendation by Secretary Mellon for repeal of some of the "nuisance" or "luxury" taxes, such as that on theatrical admissions, it would appear that the abolishment or substantial reduction of the special tax on motor vehicles might well be provided for. This tax, which adds directly to the cost of motor cars, trucks, tires, and repair parts, was imposed as a war-revenue measure, and now that American Budget conditions permit of lowered taxes in the interest of the consumers, there would seem to be no good reason why it should be retained. About one-third of all the motor cars in the United States are owned by farmers, to whom the added costs of the tax on the car and on tires and repair parts is a very considerable burden. The millions of farmers to whom the motor vehicle is a necessity, not a luxury, would welcome lower prices and cheaper repair parts. Nothing in the proposals for tax reduction so far submitted to the Congress would so directly result in immediate savings to many millions of persons of average means.

Special taxes on motor trucks are nothing less than a tax on the distribution of goods, both of farm products to markets and manufacturers to the farms. With the constant extension of improved roads, the service rendered by motor transport is steadily increasing, and has become an important factor in handling an enormous volume of all kinds of local and suburban freight. A tax that increases the cost of means of transportation is, of course, passed on to the shipper or consumer and adds just so much to the price of articles transported. While the saving through the repeal of these transportation taxes might in the individual case be small, in the aggregate it would amount to many millions of dollars and would be a contribution to that much-desired reduction in the cost of living for which everyone is looking.

Motor vehicles are now in many States subject to triple taxation. First, the Federal tax; then the State license tax, and in many communities they are assessed as "personal property," on which the prevailing local tax rate is imposed. A proposition to put a special tax on locomotives, passenger or freight cars, and to require railway companies to pay another tax as a license for their operation would be flouted by legislative bodies. There would seem to be no good reason for maintaining a special Federal tax on transportation of freight or passengers by small units, and if the plea of motor-vehicle users are properly presented to the Congress, it should be possible to secure the repeal of this discriminatory tax.

Mr. COLLINS. Mr. Chairman, for the past four or five years, in fact ever since the termination of the late war, there has been an insistent, increasingly loud demand from all sections of this country for a substantial reduction in all taxes. Business men, professional men, laborers, farmers, men of medium

salaries have joined their voices in asking various legislative bodies to take some action to lighten their tax burdens. During the progress of the war the Congress and the State legislatures formed the habit of more or less recklessly spending the people's money in ways heretofore unheard of. The war left a debt on the National Government of more than \$24,000,000,000 and an increase, entirely too heavy, of all tax burdens. Corporations were paying not only a flat rate on capital stock but an additional tax on excess profits. Individuals were paying normal taxes on their incomes and, in addition, surtaxes which were graduated until the largest incomes were bearing a 65 per cent tax on a part of the amount taxed. There were also numerous nuisance taxes, such as those on railroad transportation, and taxes on nearly all articles purchased by the people.

Substantial reductions were made in 1921 by Congress to the richer individuals and to the fattest corporations, when the revenue law of that year was passed by an overwhelmingly Republican Congress. The excess-profits taxes were repealed over the protest of the most progressive thinking representatives of the people; and this repeal meant a yearly loss to the Federal Treasury of \$450,000,000. This means that the big corporations were given a bonus twice as large in amount as would be necessary to pay a soldiers' bonus. This action by Congress made beneficiaries of those same corporations that made more than \$20,000,000,000 during the war and because of the war. The same reactionary Senators and Representatives who did this reduced, likewise, the taxes of the very rich individuals of the country by lowering the surtax on the very large individual incomes from 65 per cent to 50 per cent. And all this while but meager relief was given by the bill to those of moderate means.

During the month of November, before even this Congress convened, the Secretary of the Treasury, Mr. Mellon, and one of the Nation's richest men, announced to the country at large that further tax reductions could be made, and that a bill had been prepared under his supervision which would fully provide these sought-for reductions. This was the bill which he later presented to the Ways and Means Committee of the House for their consideration, and which he expected the House to pass just as it left the Treasury Department. Working almost in unison with the Secretary of the Treasury were all the trusts of various kinds and their chief subsidiaries and beneficiaries. From somewhere was let loose a never-ending stream of propaganda. It flowed over the desks of national lawmakers and seeped through the big trust-owned newspapers of the country as praise of the "Mellon plan." The moving-picture trust saw to it that there were statements flashed nightly on the thousands of screens throughout the land, to the effect that this great tax plan of the great Mr. Mellon was in the interest of all taxpayers. These pictured talks urged all persons to write to their respective Senators and Representatives in Congress to vote in favor of this bill. Such organized propaganda surpassed even that used in war time. In other words, a "drive" was on.

Fortunately sensible and right-thinking Congressmen were not swept off their feet. The Ways and Means Committee seriously considered the bill framed for them and found it so obnoxious to the best interests of the general mass of the people that they were forced to change and alter it so that all taxpayers might share the advantages of some sort of tax reduction. And by the time this House has finished with its consideration more changes will be made, all tending to improve it and make it more in the interest of our collective citizenry.

The Constitution provides in Article I, section 7, that all bills for raising revenue shall originate in the House of Representatives. And this Mellon bill did not originate in the House. It was gotten up in the Treasury Department, where it had no authority to be drawn, or was born in New York City. No one knows definitely just where or by whom the bill was really prepared, nor is it known who suggested the 50 per cent reduction in the higher surtaxes which was inserted into the bill. There was not one witness among the hundred odd that testified before the committee during the hearings who declared in favor of such a 50 per cent reduction in the taxes paid by our few richest people. Most of the testimony of these witnesses dealt with the abolition of the so-called nuisance taxes and other modifications or changes in the bill. Mr. Mellon himself could have testified on the origin of the bill, but he did not do so. He could enlighten this House even now as to why he thought it safer for the bill to "originate" somewhere else, in other hands, than in those of the House of Representatives.

The surest way to reduce the taxes of this country, or at least one sure way would be to lessen the bonded indebtedness of the country which is now about \$22,000,000,000, so as to

gradually decrease the excessive interest rates which the Treasury is now paying each year on account of this huge debt. The prudent business man, in the handling of his own affairs, would reduce his indebtedness to a safe load in order to rid himself of the drain of too heavy interest. This same rule might be followed somewhat, as nearly as is practicable, in the affairs of the Federal Government.

I favor tax reduction, and I intend to vote for a tax reduction bill, but I can not support a section of the measure that would operate to reduce the taxes of the very rich 50 per cent and would reduce the taxes of the ordinary man but 25 per cent, as this bill aims to do. I am not one of those persons who has been taken in by the specious argument that the man of the street will be helped if the personal income taxes of John D. Rockefeller are reduced. I believe Congress can best help the average man by directly making some reduction in his taxes, and I believe that there are ways to accomplish this.

There are now 21 taxpayers in the United States the sum of whose taxes yearly amount to \$19,000,000. The Mellon bill proposals would reduce the amount paid by these 21 persons by \$11,000,000. And the proponents of the bill argue to us that this out-of-all-reason reduction will be of benefit to the rest of us. If this is true, then it would be still better for all of us if all of their taxes were remitted, and the entire burden of taxes shifted to the backs of the poor. Of course, this is nonsense of the simplest type. All of us know that the income taxes paid by individuals can not be readily shifted to the rest of the people and that such taxes are borne by the individuals paying them and not by other persons. If this were not the case, there would not now be all this hue and cry in favor of shifting them to some one else.

The committee report shows that there are 6,650,695 income-tax payers to the Federal Government. All of these taxpayers should receive the benefits of a tax reduction bill, and under the Democratic plan, known as the Garner plan, this would happen. Not as proposed by Mr. Mellon—small tax benefits to the small taxpayer and large tax benefits to the large taxpayer—but equal tax benefits to all, and taking into consideration that the large taxpayer has already received benefits from the Government and the small taxpayer practically no benefits—this is the spirit of the Garner plan. Under the Mellon plan there are 9,433 taxpayers who will be benefited more by that plan than by the Democratic plan. On the other hand, there are 6,641,262 persons who will be benefited more by the Democratic plan than by the Mellon plan. In Mississippi, there are 9 persons who will be benefited more by the Mellon plan than by the other plan; but there are 25,605 persons who will be benefited more by the Democratic plan than by the Mellon plan. Those persons who are favoring the Mellon plan state, however, that we should not vote for the benefit of the 6,641,262 taxpayers, for the reason that any bill benefiting this number is unscientific, while a bill of benefit to the 9,433 is a scientific one.

This is a new kind of argument, and one which I have not fully digested. In fact it is totally indigestible. I do not blame these very rich men for wanting their own taxes reduced, because it means a saving to them. As I have often before stated I believe the best and most sound theory of taxation is that the taxes of a country should be paid by those best able to bear them. Accordingly, I think this House would be very remiss in its duty if it undertook to favor these men at the expense of the rest of the people.

All taxation is a burden and all taxes bear heavy on those having them to pay. We would all be gratified if they could be entirely wiped out. But revenue is required if the Government is to function. And we are here for the purpose of the best apportionment of this burden on all citizens and that apportionment is the most economic and equitable which makes the burden fall heaviest on those best able to pay, and rest lightest on those least able to pay. Big business should not be penalized and I do not stand for such action. I want big business merely to manfully pay its just share of taxes, for I think it is unsportsmanlike for our richest men to rid themselves of their load by placing it upon the backs of those so much less able to carry it, and at the same time pretend that the shifting is of benefit to the other fellows. In this connection, let us take the Treasury report for 1921, this being the last report of that department that is available. The report shows that the total gross income of all citizens of this country is \$23,328,781,932. Of this amount, \$21,611,964,043 was earned by persons who made \$40,000 per annum and less, while \$1,716,807,889 was the gross income of those individuals whose income exceeded \$40,000 annually. These figures demonstrate to all sensible persons that the business of this coun-

try, or at least by far the large share of it, is done by persons of average means, that the wealth of this Nation is produced by the man of average means, that those persons with swollen fortunes are not the guardians of all the people whose interests should be watched and protected while others are neglected or left unconsidered. We are, therefore, face to face with the proposition that has been thrown at those of us who have been advocating the Democratic plan, that if we want to help the man who pays no income tax we must reduce the tax of those possessing fabulous incomes. In reply to this, I say to you, if your argument is sound and the tax is passed on to the consumer, as you say it is, but which I deny is true, the way to reduce this tax to the consumer is to reduce the taxes of those persons who make \$21,611,964,043 of a total gross income of \$23,328,781,932.

Summing up, it will be seen that those who are sponsoring the Mellon plan and who had to do with the framing of that bill had a personal and a pecuniary interest in its provisions and that nearly all those to be benefited waxed fat on profits during the war, and that these profiteers are in favor of the repeal of the income tax law and the substitution for it of a tax on the purchase and sale of every article of daily use or consumption, and that they are likewise opposed to any adjusted compensation measure for our ex-service men.

The bill before us repeals certain excise or "nuisance taxes," and most of us are heartily in favor of these repeals. There will be further amendments offered from the floor which will repeal other objectionable taxes, such as the one imposed now on autotrucks and parts. Most of these amendments I shall favor.

There can be no genuine tax reduction, either State or National, unless the National Government and the various State governments begin to substantially reduce their expenditures. Until recently there has been a reckless waste of the people's money in every branch of the Government from the municipal on up. The Federal Government has corrected many of these abuses, but there remain many more to be eliminated. It is sincerely to be hoped that State legislatures and other taxing powers will likewise do away with extravagances.

The public is beginning to have a stronger realization than ever before in the history of this country that public office is really a public trust and is demanding a stricter accountability from their public servants than they have ever heretofore expected. This sign is the most hopeful one and foretells clearly the day when Representatives will fulfill that desire of the people who elect them that they act rightly and be truly representative of the whole mass of the people and not merely busy themselves in the interest of the prominent few.

Mr. COLLIER. Mr. Chairman, I yield to the gentleman from New York [Mr. STENGLE] such time as he may desire.

Mr. STENGLE. Mr. Chairman and colleagues, we have for almost four days been discussing pro and con three different propositions, and that man who would be able, in the short time allotted, to make an intelligent discussion of either of these plans would be more than a prodigy. I have decided views on this subject; I have decided convictions as to what I should do when the hour arrives to vote.

Mr. Chairman, President Coolidge, in his address before Congress on December 6 last, declared that tax reduction was the paramount issue of this session and I fully agree with him.

The cry for relief from the tremendous burdens under which the taxpayers of this country are laboring comes from all sections and from all classes of our citizens and we would, indeed, be recreant to our trust and duty if we did not heed that cry and grant the greatest relief which sound business principles will permit.

This is not and should not be permitted to be in any sense a political or partisan question, and he who gives consideration to this important matter in terms of political expediency only is, in my humble opinion, doomed to deserved defeat at the hands of the electorate when next he comes before them seeking their suffrage. The people of America are getting very tired of their representatives, either in this House or elsewhere, playing politics with the public business and welfare. What they desire and, in my judgment, have a perfect right to expect is fair and square dealing regardless of partisan effect, especially when we are preparing the tax levy which they, regardless of their political affiliations, must meet and pay. I for one have cast behind me every thought of the advantage which my party might gain by the adoption of either of the plans before us and have fully made up my mind to vote only for that tax measure which will give the greatest good to the greatest number. Some have predicted

that this plan or that plan which fails to meet the approval of the Secretary of the Treasury will be vetoed by the President. Such may be so but that is no particular concern of mine. The Constitution provides that the House of Representatives shall originate all revenue legislation, and you and I are component parts of that body and as such equally responsible to the people for any plan which is adopted. It is our duty to initiate, according to our best judgment, regardless of any threatened or implied threats of a veto. If we are honest and square in our purposes, we need have no fear as to final results, but if we deal only in partisan terms and seek only to make political capital then our plan should be vetoed, and I for one would vote to sustain a veto based upon such principles.

Although I lay no claim to being a tax expert and frankly admit my inability to qualify as a financial wizard, I think I know a little of the difference between a plan that has been prepared by and for the very rich and one that has sought to give to every taxpayer his just due. For that reason, I have cast aside as unworthy of my support the so-called and much advertised Mellon plan, regardless of the tremendous propaganda campaign which has for several months past been conducted in its favor. Our forefathers decreed, and Abraham Lincoln emphasized, that ours was to be a Government of the people, by the people, and for the people, and I would be ashamed of myself were I to contribute, by my voice or vote, to any scheme which no doubt has as its ultimate end the making of this a Government of propaganda, by propaganda, for the propagandists, whether they be the mouthpieces of Wall Street or any other group of self-seeking individuals.

We are told by the advocates of the Mellon plan that their scheme will release great amounts of money to industry and thus bring prosperity, through these agencies, to those who are compelled to earn their bread by the sweat of their brow. This may eventually be true, but we have no guaranty that money thus released will go elsewhere than in the purchase of tax-exempt bonds as has been the case for years past and in this manner continue, as in the past, to evade its just share of the expenses of honest Government. On the other hand, if we honestly intend to relieve the public of a part of the great tax burden now laid upon it, why is it necessary to delegate to the so-called captains of industry the authority and privilege of becoming the distributors of that relief?

Why can not we, the creators of tax relief, deliver such relief forthwith directly to those whom we desire most to aid?

Gentlemen, without giving the least thought to the fact that a Democrat initiated the Garner plan, I honestly believe that its provisions come the nearest to fairly meeting the demands of the hour than any other scheme before us, and I propose to support it with all the energy that I possess, and, regardless of political consequences, for, after all, what is a seat in this House worth if it must be purchased by the sacrifice of conscience to political expediency? I came to this great legislative body free and untrammelled, and I propose to retire from this scene of great responsibilities with just as much self-respect as I brought with me when I arrived. I came not as a political slave, and I shall not return to my constituents as a mere manikin to be dangled before the approving eyes of political bossism. I first beheld the light of day in a home that recognized righteous and honest living and approved of the Golden Rule. I may not always have reflected the highest credit upon my birthright, but I have yet to sell my self-respect and the honor of my parentage for a mess of pottage, even though such a potion be wrapped and labeled as political preferment. I would rather be an honest sweeper of the streets in the great city which I have the honor to here represent than to rise to the highest pinnacle of political fame if such fame must be bought by the stultification of conscience or the surrender of sincere conviction. If you consider this demagoguery on my part, make the most of it.

It has been clearly shown that the Garner plan will provide tax relief for 6,641,262 persons, while the Mellon plan proposes to reduce the taxes of only 9,433, or, to be perfectly honest about it, the greatest amount of relief will come in this proportion. This being true, why should we hesitate and wonder where our duty lies? Why devote days upon days in the discussion of the relative merits of the two measures when the difference reveals such a wide disparity and duty is so clearly defined?

Mr. Speaker, without any mental reservations whatever, I am whole-heartedly in favor of the Garner plan and shall so vote when my name is called. So that none of my constituents may be misled into believing that I have unfairly represented them in this matter, I herewith place in the Record as a part

of my remarks the following tabulations, which have been before us for weeks past and the accuracy of which has not been questioned by anyone:

Income-tax returns by States.

State.	Total number making income-tax returns.	Number benefited more by Mellon plan.	Number benefited more by Democratic (Garner) plan.
Alabama.....	43,009	35	42,974
Arizona.....	18,477	1	18,476
Arkansas.....	33,830	10	33,820
California.....	386,082	435	385,647
Colorado.....	69,676	40	69,636
Connecticut.....	123,269	173	123,096
Delaware.....	15,889	17	15,872
District of Columbia.....	89,966	102	89,864
Florida.....	42,249	28	42,221
Georgia.....	67,719	48	67,671
Idaho.....	22,976	3	22,973
Illinois.....	611,558	857	610,701
Indiana.....	150,300	86	150,214
Iowa.....	111,483	42	111,441
Kansas.....	88,785	16	88,769
Kentucky.....	69,496	45	69,451
Louisiana.....	67,960	50	67,910
Maine.....	44,397	42	44,355
Maryland.....	112,963	176	112,787
Massachusetts.....	388,442	749	387,693
Michigan.....	250,147	264	249,883
Minnesota.....	124,501	131	124,370
Mississippi.....	25,614	9	25,605
Missouri.....	172,519	169	172,350
Montana.....	36,907	5	36,902
Nebraska.....	71,853	22	71,831
Nevada.....	9,719	3	9,716
New Hampshire.....	32,410	24	32,386
New Jersey.....	269,096	404	268,692
New Mexico.....	11,780	3	11,777
New York.....	1,066,637	3,031	1,063,606
North Carolina.....	44,161	52	44,109
North Dakota.....	18,440	2	18,438
Ohio.....	367,066	539	366,527
Oklahoma.....	69,381	32	69,349
Oregon.....	62,804	28	62,776
Pennsylvania.....	621,103	1,218	619,885
Rhode Island.....	48,057	138	47,919
South Carolina.....	25,160	11	25,149
South Dakota.....	21,681	1	21,680
Tennessee.....	60,949	31	60,918
Texas.....	200,188	104	200,084
Utah.....	26,128	4	26,124
Vermont.....	17,746	14	17,732
Virginia.....	76,257	32	76,225
Washington.....	115,688	30	115,658
West Virginia.....	75,277	63	75,214
Wisconsin.....	148,457	108	148,349
Wyoming.....	22,413	6	22,407
Total.....	6,650,695	9,433	6,641,262

¹ Includes Alaska.

NOTE.—It is estimated that either plan will raise an adequate amount of revenue for the Government.

Mr. BOYCE. Mr. Chairman, I shall not discuss the details of any of the proposals for the reduction of the rates on normal or surtaxes, but confine myself to a few general remarks.

It is generally conceded that political parties are essential in a democracy, but it is my belief that it has come to pass in the United States that too great emphasis is laid upon the necessity of party government and party responsibility for the initiation of legislation and governmental policies. This position particularly prevents that cooperation between the members of the different parties in Congress which should prevail.

There exist and have existed a few underlying principles between the two major parties, by whatever name, from time to time, they have been known. It is not necessary now to dwell upon the characteristics of these differences. They existed at the very beginning of our Government and still exist.

In the consideration of the great mass of proposed legislation the only question involved for the most part is the question of its wisdom, and Members of Congress approve or disapprove proposed legislation not because of party differences but from consideration of the wisdom or necessity for the particular legislation, affected only at times by local considerations.

Upon the question of taxation, now before the House, there is no occasion for partisan political consideration, and it ought to be possible to enact a more satisfactory revenue bill than the present statute without so much partisan feeling.

It is true that a presidential campaign is approaching, but this fact should not be controlling in the enactment of legislation for the benefit of the country. Partisans, party adherents, and the people generally will naturally from now on to the election in November be interested in the succession to the

Presidency; but all, I take it, are decidedly much more interested in the general welfare and prosperity of the whole people of the country.

It may be assumed that the Members of Congress, for the most part, desire a reduction in the expenses of the Government consistent with its proper administration, and likewise desire a reduction in taxation of all sorts consistent with the reasonable needs of the Government. I am sure that most, if not all, of the Members hope to enact a revenue bill such as will very materially reduce the rates of taxation on incomes. Members on this side of the House have favored such legislation since the close of the great World War. President Wilson while in France suggested to Congress the desirability of a reduction in Federal income taxes. He was followed in the suggestion approvingly by two Secretaries of the Treasury under his administration. President Harding and the present Secretary of the Treasury shortly after entering upon the duties of their respective offices favored a reduction in Federal income taxes along the lines then proposed by Secretary Mellon. A bill providing for a restricted reduction in such taxes was passed by Congress in 1921. Mr. Mellon has again proposed a further reduction in such taxes along the hard-and-fast line set forth in the bill now before Congress known as the Mellon bill, which bill has been endorsed by President Coolidge.

Few Members of Mr. Mellon's party and no Members of the party on this side of the House, so far as I have been informed, were consulted in the preparation of the bill. The Ways and Means Committee of the House had the bill under consideration, in executive session, soon after the present Congress had convened. Members of the House, without regard to party affiliations, knew nothing of the distinctive features of the bill or the Mellon plan, as it is called, until after December 28, 1923, except as to the proposed changes in the rates of normal and surtaxes and a subsequent communication from the Secretary of the Treasury to Mr. GREEN, chairman of the Ways and Means Committee, given to the press. Notwithstanding this situation and lack of information on the part of Members of the House, they were, very soon after the convening of Congress, flooded with letters and circulars urging them to give unqualified support to the Mellon plan. Without intending any criticism of the course pursued, it would have been much better had the plan been laid before the Committee on Ways and Means with full information in respect to the plan for the consideration of the whole committee without regard to party affiliations to work out the best possible revenue bill, carrying with it the lowest possible graduated reduction in the rates for all classes of income-tax payers. Had this been done, a satisfactory revenue bill might have been worked out by the committee, resulting most satisfactory to the people generally, without so many charges of partisanship. It soon became known, after the Mellon tax plan had been submitted to the Committee on Ways and Means, that members of the committee representing the other side of the House were not in accord and that the proposed bill could not be passed by the majority Members of the House.

In this situation various members of the committee, acting more or less independently, set about to work out a plan of rates that was thought would operate most satisfactorily to all, or at least to a very great number of income-tax payers, and which would best subserve the public interests.

It is understood and not denied that both the majority leader and the chairman of the Ways and Means Committee are opposed to a cut in the upper surtaxes to 25 per cent but favor a cut to 35 per cent. It is the further understanding that there are quite a number of the Members on the majority side of the House who are in favor of fixing the upper surtaxes anywhere from 35 per cent to 40 per cent, and it is said that some Members on the majority side of the House are in favor of retaining the upper surtaxes at the present rate of 50 per cent. A very great majority of the Members of the House appear to be in favor of cutting all normal taxes to half of the present rate. So it is well understood that the Mellon plan, excepting most of its administrative features, can not be passed by the House.

I believe in a progressive income tax. It is an equitable tax and is perhaps the only rational way to tax intangible property, and certain it is that no one possessed of such property should either seek or desire to escape the payment of reasonable equitable taxation on such property for the maintenance of the Government, which throws its protecting arm around such property, the same as any other species of property. All taxation should be reasonable and just and limited to the reasonable needs of the Government. Confiscation of property, through unjust and inequitable taxation, should never be resorted to,

but certain it is that wealth of any sort should never seek to avoid or evade taxation.

Speaking directly to the question now before the House, I desire to see a revenue bill passed which will bring relief to all Federal income-tax payers, based upon the principle of equality and justice, according to the protection afforded to the taxpayer.

I shall vote for the only plan, which so far as I am presently advised, can be passed by the House. It is my duty to assist, as far as I can, in relieving Federal income-tax payers from the burden of the existing revenue statute, and the Garner plan brings relief to all income-tax payers and a far greater relief than does the Mellon plan, except to those whose income exceeds \$92,000 annually, and it is generally known that I am not opposed to lessening the rate on such incomes if an opportunity is afforded me to do so in a bill which can be passed by the House.

Congress will fail in its duty if it does not pass a revenue bill affording all possible relief to Federal income-tax payers.

Mr. COLLIER. Mr. Chairman, I yield 10 minutes to the gentleman from Tennessee [Mr. Davis]. [Applause.]

The CHAIRMAN. The gentleman from Tennessee is recognized for 10 minutes.

Mr. DAVIS of Tennessee. Mr. Chairman and gentlemen, during the Sixty-sixth Congress President Wilson in different messages to Congress urged a reduction and readjustment of taxes, but such recommendations were wholly ignored by that Republican Congress, just as they ignored all of President Wilson's reconstruction program, the adoption of which would have resulted in an easy, uniform transition from disturbed war conditions to peace conditions. Chairman Fordney, of the Ways and Means Committee, went so far as to declare in effect that he was opposed to tax reduction at that time, as he wanted the people to be still harassed with war-time taxes so as to hold the Democratic Party responsible therefor during the ensuing campaign. On the eve of another election, when the Republican Party is in power, we Democrats are not pursuing such a partisan, unpatriotic course. We are unequivocally for equitable reduction of the taxes of all the people, and for that very reason are opposed to features of the Mellon bill.

During the last (Sixty-seventh) Congress the Republican Party, in overwhelming control of both branches of Congress, passed a revenue bill which relieved the large profiteers of \$450,000,000 per annum by the repeal of the excess-profits tax and relieved the multimillionaires of \$60,000,000 annually in addition by a 23 per cent reduction of surtaxes on net individual incomes in excess of \$200,000 annually. This same revenue bill carried an insignificant reduction of the taxes of the remainder of the people other than large profiteers and multimillionaires. Democrats in both the House and Senate made repeated efforts to amend the Republican revenue bill so as to grant some relief to the masses of the people, but these amendments were invariably defeated by strict party vote.

Having thus relieved the very wealthy classes in the last Congress, there was presented for adoption by the present Congress the Mellon bill, with the indorsement of Secretary Mellon and President Coolidge and backed by the most tremendous, most insidious, and most deceptive propaganda ever disseminated in this country. Although the Constitution of the United States expressly provides that "all bills for raising revenue shall originate in the House of Representatives," yet the Mellon bill was secretly prepared, even before Congress convened, under the direction of Secretary Mellon, the second wealthiest man in the world, and, so far as it has developed, without even consulting with any Member of Congress except the gentleman from New York, Mr. OGDEN L. MILLS, who is perhaps the wealthiest man in Congress and most closely identified with Wall Street interests.

In addition to the 23 per cent reduction in the surtaxes on large incomes effected during the last Congress, without any corresponding reduction on smaller incomes, the Mellon bill provides for an additional reduction of 50 per cent in the surtaxes on large incomes and a 25 per cent reduction on incomes under \$60,000. It is estimated that about two-thirds of the aggregate reduction carried in the Mellon plan would go to a very small number of very large taxpayers, and that the other one-third would go to the remainder of the taxpayers.

In order to avoid such glaring inequalities and to effect a general and equitable reduction of taxes the Democrats in the House have proposed through Mr. GARNER of Texas, the ranking Democrat on the Ways and Means Committee, certain amendments popularly known as the Garner or Democratic plan. I am heartily in favor of amending the pending bill by the adoption of the Garner plan. We all recognize the fact that the Mellon rates have not the slightest chance of adoption.

It is a matter of common knowledge that a poll of the Republican Members only mustered 108 out of 225 Republicans in the House who were willing to stand for the Mellon rates. With one or two possible exceptions the Democrats in the House stand in solid phalanx against the Mellon rates. It is refreshing that such a large number of Members have refused to be stampeded or intimidated by the stupendous propaganda conspiracy and the administration demands.

I am for the Garner substitute plan because it is more nearly in accord with my conception of the true function of Government, and that is that legislation should be in the interest of all the people; because it recognizes the sound and just Democratic doctrine that taxes should be imposed most heavily upon those best able to pay and lightest upon those least able to pay. I am for the Garner plan because while it effects a substantial reduction in the taxes of everybody yet it affords greater relief than does the Mellon plan to all citizens receiving net incomes under \$54,000 per annum; because the Garner plan will give greater relief to 6,650,695 taxpayers throughout the country than does the Mellon plan, whereas the Mellon plan grants greater relief than does the Garner plan to only 9,433 taxpayers; because the Garner plan grants a greater reduction to 60,949 taxpayers in my State, whereas the Mellon plan grants greater relief to only 31 taxpayers, and this is typical of the situation in every State.

I am also for the Garner plan because it increases the exemptions from the payment of income tax. In my opinion, if incomes of heads of families up to \$5,000 were exempted from the Federal income tax, those affected would still pay their just share of taxation, because local taxes, excise taxes, and high-protective tariff duties impose proportionately heavier burdens upon them than upon the rich. Few men of small incomes are able to lay up any of their earnings; it takes all of their income for the purpose of supporting themselves and families, so that whatever taxes are exacted from them impose a hardship. The taxes paid by a man with a small income take just that much from the mouths, backs, education, and medical care of himself and those dependent upon him, but this is not true in the case of a man with a larger income than is required to meet the living expenses of himself and family.

The gentleman who preceded me indulged in a discussion of wages and exemptions. The wage and salary earners are paying more than their share of taxes. According to information furnished by the Secretary of the Treasury for the year 1921—the last year for which complete returns have been tabulated—of the \$23,000,000,000 income reported, nearly \$14,000,000,000 were from wages and salaries. This shows the importance of legislation along the line of the Democratic plan in order to relieve the masses of the people as distinguished from those who, by the favoritism of this Government and otherwise, are making tremendous incomes.

Eighty per cent of the American people would not benefit to the extent of a penny from Mr. Mellon's proposal, for the reason that neither they nor those upon whom they are dependent pay an income tax under the present law. However, they do pay heavy tribute by reason of the Fordney-McCumber Tariff Act, which constitutes the heaviest tax burden ever imposed in this or any other country. This tariff act wrings from the people in the form of indirect taxation at least four times as much as the sum total of all the income taxes, profits taxes, and surtaxes. The income and profits taxes and surtaxes average \$13 per capita. The tariff costs every man, woman, and child of the 110,000,000 inhabitants of the United States at least \$60 each per annum. And yet Secretary Mellon and President Coolidge do not propose to reduce the tariff, which is maintained for the benefit of a few thousand citizens, and which constitutes the most prolific source of contributions to Republican campaign funds.

I am for the Garner plan because it recognizes farmers personally operating their farms and merchants and tradesmen who combine a small amount of capital and their personal service for the purpose of earning income as being entitled to the credit granted on earned incomes. Recent surveys show that the farmers of the country pay larger taxes—National, State, and local—in proportion to their incomes than any other class of citizens.

I have the most profound respect for property rights, but I also respect human rights. The surest way to protect property rights is for the capitalistic classes to recognize the fact that they should pay their just share of taxation. The theory of taxation is that the Government is entitled to collect taxes from its citizens in return for the protection afforded the citizen and his property. The citizen should pay in proportion to the protection received. In times of national peril a large percentage of our citizens must bear arms in defense of their

country, but property and money do not bear arms. During the recent war, while 4,500,000 of our men left their avocations and took up arms in the national defense, and a large percentage of the remainder of the citizens were toiling and sacrificing, capital was multiplying fabulously under the protection afforded by this Government and our young manhood who were risking their all. We still have upon us most of the indebtedness incurred in the successful prosecution of that war. The 23,000 men who are said to have become millionaires during that war and the thousands of others who multiplied their millions should be required to bear their just burdens of taxation instead of same being shifted to the already overburdened and toiling masses.

In behalf of the 25 per cent maximum surtax proposed in the Mellon bill one argument advanced is that it will produce more revenue, for the reason that the large surtax payers are unwilling to pay a large surtax and that they will make false returns and evade the payment of a large surtax, whereas they will pay a smaller tax. In other words, the champions of those large surtax payers, and those who are so assiduously endeavoring to relieve them of their taxes, would have us believe that their friends are only tolerably honest; they are not halfway honest; they are not even 44 per cent honest, but they would have us believe that they will be 25 per cent honest. In the same connection they tell us that these high surtaxes are passed on to the consumers. Well, if you accept the argument in toto, it means that they are proposing to impose heavier burdens upon the consumers than are now imposed by the present law, because if a reduction in surtaxes will bring in larger revenue, and that revenue will be imposed upon the consumers, of course, they are proposing to increase the burdens of the consumers—in other words, the masses of the people. But I am not willing to risk the surtax payers who you say are too dishonest to pay their taxes and who make perjured returns; I am not willing to trust them to pass any reductions in their surtaxes on to the consumers. I am afraid the consumers would not get the benefit, but we know they will receive the benefit if we give the reductions direct to the masses of the people, as we Democrats propose to do.

Now, what else? They say that some of the men of large wealth are sufficiently honest that they will not make perjured tax returns, but that they invest in tax-exempt securities. They have not all gone into tax-exempt securities and they can not all do it, because less than 10 per cent of the outstanding securities are tax exempt. They say we lose revenue by having them go into tax-exempt securities. Let us analyze that for a moment. There are about \$12,000,000,000 of tax-exempt securities, and it is generally estimated that at least 50 per cent of these are held by banking institutions and other corporations and by very small-tax payers who pay no surtax. That leaves \$6,000,000,000 of tax-exempt securities, and we will assume, for the sake of argument, that they earn an average of 5 per cent interest, which they do not; but that would be \$300,000,000 interest per year upon these tax-exempt securities other than those which are not impressed with a surtax. And we will suppose, for the sake of argument, that all of this \$6,000,000,000 is held by men receiving over \$500,000 net incomes per annum, so that under the present law they would be impressed with a 50 per cent surtax. That would amount to a total revenue of \$150,000,000 a year out of a total budget of \$4,500,000,000 a year.

But we know, as a matter of fact, that we would not receive that much, because only a small per cent of them are held by the maximum surtax payers, and, furthermore, by no means all of such securities would be reported for taxation even if they were taxable. The difficulty is not tax-exempt securities but the failure of these large-tax payers to make honest returns. Their principal champion on this floor has repeatedly insisted that they are deliberately evading their taxes and urged that as a reason why their taxes should be radically reduced. I say, instead of yielding to a plea of dishonesty, instead of pandering to and rewarding dishonesty, let us make the tax returns public and employ such other methods as are necessary to insure honest returns and the collection of the taxes justly due the Government.

Oh, they say that high surtaxes drive money out of industry. Of course that is not true. The records show that there is, and for the past year has been, more idle money in this country than ever before in history. Hundreds of millions and billions of dollars are to-day lying idle, drawing no interest and not even invested. There is ample money not only for all legitimate industries in the United States but even for foreign loans and foreign bonds. As you know, within the past few days the \$150,000,000 Japanese loan was far oversubscribed in New York City alone. There is plenty of money available for legitimate

industry, and there ought not to be any for "wildcat" schemes. [Applause.]

The CHAIRMAN. The time of the gentleman from Tennessee has expired.

Mr. HAWLEY. Mr. Chairman, I yield to the gentleman from Massachusetts [Mr. LUCE] 15 minutes.

Mr. LUCE. Chiefly in the hope that I may contribute something, however little, to the material on which will be based the public discussion of this question in the next few months, I have sought to find some fresh point of view. Perhaps I have found it in a simple way of stating the chief problem before us. To that end I would ask you to forget for a moment percentages and statistics, resorting instead to fractions.

In the war period we tried to get from the very wealthy three-fourths of their incomes. When the opportunity came to reduce taxes the House proposed that instead of three-fourths we should try to get two-fifths. (I am, of course, adding on the normal tax to the supertax.) The Senate, which had the whip hand of us in that juncture, made the fraction nearly three-fifths. We had to consent, so that the reduction from the war-period rate was from three-fourths to three-fifths.

Now, when another opportunity comes to reduce taxes, the majority of the Ways and Means Committee proposes that we cut this to a little under one-third. The Democratic ranking member of the committee urges, instead, that we make it one-half, and the gentleman from Wisconsin urges, instead, that we make it four-sevenths. The mere recital of these fractions ought, in my judgment, to show that there is here no question of principle involved but only a question of degree.

Whatever shadow of principle could have been invoked was entirely rejected by the plan for which the Democrats agreed to vote when they committed themselves to a proposal that one-seventh be taken off the present surtaxes. Mark you, their own proposition involved cutting the present surtaxes by one-seventh. Had there been any question of principle, they would have yielded to no reduction, and had they been perfectly logical, they would have carried their action to a recommendation that we take 100 per cent of all of the excessive incomes beyond a reasonable figure. In this there might have been approval by not a few Members of the House and by no small part of the public at large. A common purpose in this matter is to-day evident. In this purpose there is no distinction whatever between Democrats and Republicans in or out of the House. If we could here come to vote on a resolution expressing our belief that the swollen, the elephantine incomes in this country are a social evil far offsetting any economic advantages, I should predict that the House would almost unanimously support that resolution. If any Member had doubts of it before the calamitous period through which we are passing, could to-day any man fail to recognize the shame and disgrace that have been brought to leading men in both parties, the inestimable injury that has been done to the public life of the country, the shaking of confidence in our political institutions, through the use of money to debauch our public affairs? Who can to-day control himself so far as to refrain from the wish that the houses of the Sinclairs and the Dohenys might be utterly destroyed, and that we might escape the pernicious influence of enormous aggregations of wealth in individual hands?

It might, then, well be asked, Why do we not attempt to confiscate the grossly excessive incomes? The answer is palpable. Because the attempt would be futile. To understand the reason you have but to examine the condition of affairs in Germany. There, at this moment, two Americans are unofficially helping toward a solution of the direful problems of continental Europe. One of their chief tasks is to discover, if possible, where, in foreign lands, now repose the ill-gotten gains of Stinnes and his associates. The attempt to confiscate great incomes here would result in sending those incomes into foreign banks beyond our reach.

If, then, we are agreed we can not get for public use the whole of an excessive income, let us go down the scale and see if we can find out at what point we can get the largest part of it, the maximum amount.

Our Democratic friends seem to think we can get the maximum amount by coming down to a demand for one-half the income. But it has been shown by the figures of the actuary that if they prevail with this proposal they will, as far as experts can foresee, get into the Treasury in the second full year \$74,050,000 less from incomes over \$100,000 than if the lower figure of the Mellon plan is adopted. The surtax payers would escape the payment of nearly \$75,000,000 if the Democratic proposal should prevail.

When this matter was under consideration two or three years ago, at one stage of the proceedings I voted for a higher rate than my Republican colleagues had thought desirable. I was the only eastern Republican to take that position, and I did it in the belief that a higher rate than my Republican friends then proposed might be practicable. I was wrong. The results show they were right. The experience of the last two years should have convinced any man free from prejudice, approaching this problem as a man of affairs, that you must go still further down the scale to find the point at which you can get the maximum return.

About 30 years ago a fellow citizen of the gentleman from Tennessee, who has just addressed you, summed up this whole thing in a pithy sentence that I commend to your attention. He said, "You can not tax anything that can run away." That maxim reaches the heart of the agitation now going on for 50 years in this country over the question of reaching the greater part of the wealth of the very rich man. In my own State we have at least made progress. All told, there are 10 States that have accepted the facts of the case by coming to an income tax, and there are about a dozen that classify property for purposes of taxation. So in about two-fifths of the States we have recognized the practical way of getting at this thing with legislation likely to produce the maximum of results.

Mr. LITTLE. Will the gentleman yield?

Mr. LUCE. Yes.

Mr. LITTLE. If you put a man in jail he can not run away.

Mr. LUCE. The argument implied in that statement was first thrown at me 30 years ago. It has been reiterated in every discussion on the subject. In the speech you have just heard it was brought forward again. It is the argument that if you only give the assessors power enough they can find intangible wealth. Experience has shown that the argument is unsound; the thing can not be done. So in every State willing to recognize the inevitable, willing to look the situation squarely in the face, there has been a decision to abandon the attempt and try to accomplish the desired result in some other way. Gentlemen who argue for persistence in the attempt remind me of a species of crab that you may see in Jamaica, the land crab. Every year it comes down from the mountain to lay its eggs in the pools on the coast. Whenever it comes to an obstacle it tries to go through that obstacle. If there be a door, it goes through the door into the house and piles up in the passageway. If the obstacle be something without any aperture, the crab tries to go over, and, failing in that, piles up against the wall or whatever the obstacle may be, because it has not sense enough to go around. In the same way the advocates of direct and extreme methods of taxing intangible property, coming up against the insurmountable obstacle, persist in their vain attempts.

Or they might be compared to an army of old trying to take a fortress by frontal attack. The soldiers come up against the wall, find it can not be penetrated or climbed, yet with relay after relay perish in the struggle, when had they gone around the corner they would have found an open gate.

Mr. LITTLE. Will the gentleman yield?

Mr. LUCE. Yes.

Mr. LITTLE. I wondered if the animal the gentleman alludes to is found only in New England—people who have not sense enough to go around the house.

Mr. LUCE. I thought I made it clear that it was an animal inhabiting the island of Jamaica. [Laughter.]

The CHAIRMAN. The time of the gentleman from Massachusetts has expired.

Mr. HAWLEY. Mr. Chairman, I yield 15 minutes to the gentleman from Indiana [Mr. SANDERS].

Mr. SANDERS of Indiana. Mr. Chairman and gentlemen of the House, after a revenue measure has been debated in general debate for a number of days it is difficult to say anything new on the subject. After all, it seems to me that the proposition between the Democrats on the one hand and the Republicans on the other with reference to the policy of taxation is rather simple. The Republicans belong to the party which is in power and has the legislative and executive branches of the Government.

The Republican Party is the party that has at the present time the responsibility of government; therefore, feeling the responsibility, the Members of the Republican side deal with the question of raising billions of dollars of taxation and of obtaining revenue to run the Government with the best economic results. The Democrats, on the other side, having no responsibility, are free to use any means at their command to attack the plan of the Republican administration and make such suggestions as will be helpful to them in a political way. I do not mean to say that they always do that, but that temptation

is open to them, and when I look over the debate that has occurred, particularly the remarks of the gentleman from Texas [Mr. GARNER], the able ranking member of the Committee on Ways and Means on the Democratic side of the House, I sometimes think that he has yielded slightly to that temptation. For instance, to hear Mr. GARNER talk at the present time, when we have a Republican administration and a Republican Secretary of the Treasury, you would think that he believed in zealously defending the rights of the legislative branch of the Government from encroachment by the executive. He said he was disappointed in the gentleman from Ohio [Mr. LONGWORTH], the Republican leader, the other day because Mr. LONGWORTH did not rise up and tell the Treasury Department and the President of the United States that the Congress is going to enact the law without Executive suggestion. That is interesting in view of the fact that Mr. GARNER served on the Ways and Means Committee when we had a Democratic Secretary of the Treasury, and it is particularly interesting in view of the fact that from the time of Alexander Hamilton down to the present time the Treasury Department has taken the lead in working out the question of the revenues and the financial plans for the Government. Mr. GARNER says that we should not listen to the Secretary of the Treasury. Let us see what happened back when the Democratic administration was in power. At that time we had as Secretary of the Treasury Mr. William G. McAdoo, who is in Chicago to-day to determine whether or not he is going to be the Democratic nominee for President. I invite the attention of my Democratic friends to what Mr. McAdoo said at that time. I quote from the hearings of the Sixty-fifth Congress. Mr. McAdoo testified on June 7, 1918:

I have read in some of the newspapers the intimation that the plan of the Treasury Department was calculated to produce less rather than more revenue, etc.

He thus announced that the tax bill was the plan of the Treasury Department. Yet our friend GARNER would have you think that the Treasury Department ought not to have a plan. Mr. McAdoo later says:

I should like to have you let Doctor Adams give you the details of that, because he has prepared them after a great deal of work, and I have not had time to look through them thoroughly, but he can explain them fully.

Then Mr. McAdoo said this, and I hope the gentlemen who listened to the genial gentleman from Texas when he abused the present Secretary of the Treasury will listen to the words of the Democratic Secretary of the Treasury to the Ways and Means Committee, of which my genial friend from Illinois [Mr. RAINY] was a member at that time. He said:

I venture to urge upon you, therefore, a careful consideration of the recommendations which they [speaking of Doctor Adams and somebody else, Treasury experts] may present to you on such subjects as amortization, depreciation, etc. Entering profoundly into the calculation of every tax are subjects upon which the experts of the Internal Revenue Bureau, such as Doctor Adams here, are able to speak with greater knowledge than the Secretary of the Treasury or members of the Ways and Means Committee. I beg you, therefore, to see and act upon their advice.

Yet these gentlemen on the Democratic side say now that we ought not to take any advice or recommendation of the Secretary of the Treasury.

Mr. BLANTON rose.

Mr. SANDERS of Indiana. I do not yield. I want to prove by Mr. GARNER himself that he is not at the threshold of Treasury Department advice. I refer now to the hearings on the revenue act of 1918, page 45.

Mr. GARNER of Texas asked the question:

You have got in this proposed bill that you are supposed to have sent down, Doctor, this provision?

He then quotes a provision and says quite politely:

Is there any serious objection, Doctor, to striking that out of the bill?

To prove further that the Treasury Department has always had a great deal to do with revenue bills, Mr. Leffingwell, on page 46, said:

I am not so familiar with that particular bill that Doctor Adams has drawn as I should be.

Drawn by the Treasury Department, brought down here by the Secretary of the Treasury, and very properly so, and in the hearings you will also find that Mr. McAdoo being away from Washington, dissatisfied with the way the then Democratic Committee on Ways and Means was operating, telegraphed to

President Wilson to have the committee get busy. I shall not take the time to read it all, but shall quote only a certain portion of that telegram, as follows:

Newspapers indicate that effort will be made to give water power bill precedence over revenue bill when House reconvenes August 19.

And after urging importance of immediate action on the revenue bill he continues:

Of course, I know that you can use only your great influence to secure this result, and the purpose of this telegram is to beg you to exert your influence in this direction immediately.

They drew the bill in the Treasury, but he could not depend upon himself to urge it and telegraphed to the President of the United States to tell them to get busy and pass the bill that Doctor Adams had prepared.

Mr. NEWTON of Minnesota. And they did.

Mr. RAINEY rose.

Mr. SANDERS of Indiana. Oh, I can not yield. The gentleman from Illinois [Mr. RAINEY] will remember this, that when we were talking about high surtaxes in those days his genial friend from Texas [Mr. GARNER] was not such a high bidder. You would think from the way JACK GARNER talks that he invented high surtaxes. He walked up and down here and said, "Give me a Democratic President and a Democratic House and I will show you what we could do."

These really high surtaxes were not written in there by the Democrats. They were written in there by the gentleman from Wisconsin, Mr. LENROOT, and they were put in there with a Republican vote, and as war taxes they were all right. Our friend GARNER, however, was pulling back in those days. It is true that the gentleman from North Carolina, Mr. KITCHIN, of blessed memory in this House, very quickly sensed the situation and said, "Let us agree to this amendment," but not so the distinguished gentleman from Texas [Mr. GARNER]. Mr. LENROOT had offered an amendment raising the high surtaxes 25 per cent all along the line. Mr. KITCHIN said they ought to agree to it. Mr. GARNER said, appealing to Mr. KITCHIN:

If the gentleman had his preference, realizing the new information received from the Treasury Department, would he not prefer to pass this bill substantially in its present form, not accepting the amendment offered by the gentleman from Wisconsin?

Then he said later, and this shows how wedded he was to Treasury recommendations:

Now, since the information comes from the Treasury Department that we need \$430,000,000 more, I can not conceive that this committee will want to cut down anything of this bill that brings revenue, and it seems to me under these conditions we ought to test the sense of the committee to determine whether we want to increase them with a view of cutting something else out of the bill.

Oh, you would think from the statement of the gentleman from Texas that he always disbelieved the argument that raising the surtaxes high would be nonrevenue producing.

Many of you gentlemen were here in 1917, and you will remember the great argument by Mr. HILL of Connecticut, one of the ablest men in the House on financial questions, when he pointed out, if you put this surtax too high, what would happen; and Mr. GARNER, in talking against it and in arguing with Mr. KITCHIN against it, finally said:

Unless the rates are raised so high, as contended by the gentleman from Connecticut [Mr. HILL], that less revenue will be produced than under the present rates.

That idea was not new to him when it was advocated before the present Committee on Ways and Means. Then after the distinguished gentleman from North Carolina, Mr. KITCHIN, the great Democratic chairman of the Committee on Ways and Means, who will be remembered as a distinguished Member of this House and in this country as long as history is written—during that memorable debate made a statement that I want you to listen to, you gentlemen who accuse the Republicans of trying to serve the rich. We all remember that Claude KITCHIN's favorite joke, when he wanted a recess for the holidays, was to say that he wanted to go home for Christmas and make his annual agreement with his creditors for another year. Listen:

Mr. KITCHIN. Now, the gentleman from Connecticut [Mr. HILL] has raised a very important question in my mind and one that we ought to consider when we are raising the rates on the large incomes. For instance, a large exorbitant rate may frustrate the very object of the tax law, and we may not get any taxes or have any incomes upon which to levy taxes. For instance, whenever our income tax is so heavy that the total income on the investment of the business man will be any-

thing around 3½, 4, or 5 per cent then it will be to his interest to sell out his investment to Tom, Dick, and Harry and invest in United States bonds or State bonds or rural-credit bonds. Thus he will make just as much as if he has as much net income, with no worry and no trouble.

The CHAIRMAN. The time of the gentleman from Indiana has expired.

Mr. SANDERS of Indiana. Can I have some more time?

Mr. GREEN of Iowa. I will yield to the gentleman five minutes. But I wanted to say this while I am on my feet: That during the last two years of the Democratic administration the administration frequently wanted Treasury bills passed, and I was the Republican who usually attended to the technical matters pertaining to them, and they brought them to me and I presented them to the committee and the committee passed them.

Mr. SANDERS of Indiana. Yes. I thank the gentleman.

Now, this statement of Mr. KITCHIN's, made by him on the floor of the House, not after study—because it came up suddenly—contains in clear language the argument for the passage of the bill that the gentlemen have reported out. Note what he says. I continue reading:

It will be to his interest to sell out his investment to Tom, Dick, and Harry and invest in United States bonds or State bonds or rural-credit bonds. Thus he will make just as much as if he has as much net income, with no worry and no trouble.

Did he not get the danger quickly? And Mr. Emerson, of Ohio, spoke up and said, "Somebody else would have to own those bonds?" Mr. KITCHIN answered him:

But nobody would own those bonds to the extent of making millions of income out of them, because they would be purchased by individuals with smaller incomes. This large increase in the rate would not apply to the little fellow.

Then Mr. KITCHIN went on. Listen to this argument, not made by a Republican, but made by a Democrat:

Mr. KITCHIN. I think a man would buy bonds if Congress would take a sufficient amount of his income and continue to take it until it would reduce his total income after deducting the tax down to 3, 4, or 5 per cent. I think I would buy bonds under such circumstances. I think any sensible man would do it. That is, if he is in it for profit or income.

That is the statement made by the gentleman from North Carolina. Now, let us see what the facts are. Remember that statement was made by Mr. KITCHIN—that prophecy—right on the spur of the moment. His knowledge of financial matters brought the thought to him, and he had no politics in his mind. He spoke what was in his mind. He was not hedged about by any caucus. His prophecy came true. In 1918 the number of incomes over one million was 67. In 1919 it was 65. In 1920 it was 33. In 1921 it was 21.

There you have the very prediction made by Claude KITCHIN carried out. And when the Republican Secretary of the Treasury, following after similar recommendations of two Democratic Secretaries of the Treasury, a Democratic President of the United States, and following the advice of Doctor Adams, who, Mr. McAdoo said, knew more about it than the Committee on Ways and Means, advocates relief of that situation, you say, "You are trying to pass something that will help the rich." And one gentleman on the floor shook his fist at us and asked us, "What are you going to say in your districts and in your States when your opponent says, 'You did not tax the rich'?" I will tell you what I will say. I will say, "It is not true." [Applause.]

Why, of course it is not true. In the first place, the poor man is not taxed at all, and on every cent of the rich man's income he is taxed the same as the man of small income, but on very much of it he is not taxed only dollar for dollar, but a greater amount. For instance, a man head of family with \$4,000 income is taxed \$67.50, and a man with \$20,000 income, five times as great an amount, is taxed \$1,237.50, more than eighteen times the amount of taxes. I could go on and show that this cry that has gone out is based on a false assumption.

Under the Republican plan even if the 25 per cent maximum surtax is adopted, we tax the rich a much greater amount and about ten times greater percentage than we do the man with the small income. In practically all of the taxation under the State laws where the tax is on property values the States tax the rich and poor the same rate. If it is 2 per cent of the taxable value, the man with \$1,000 is taxed 2 per cent of that, while the man with \$2,000,000 is taxed 2 per cent of that amount. But in this bill we really tax the rich, for while we tax the man with \$1,000 income above his exemptions but 3 per cent or \$30, the man with \$2,000,000 income is taxed ap-

proximately a half million dollars. The cry that this bill does not tax the rich is a false cry.

It is true that the proposed measure would reduce the maximum surtax from 50 per cent to 25 per cent, and while that might for the first year have the effect of reducing the amount of revenue collected, as a matter of fact by the end of the second year, after the law is on the statute books, there would be an increase of revenue. There can be no doubt that the surtax is now away past the revenue-producing point. This is shown by the fact that in 1918 the number of incomes over \$1,000,000 was 67; in 1919, 65; in 1920, 33; in 1921, 21.

In other words, people with vast fortunes have taken their investments out of commercial enterprises and have purchased nontaxable securities, and they will continue to do so if the surtax is left high. On the other hand, it can be reduced to 25 per cent, which will encourage the investment in productive enterprises, thus, in turn, actually increasing the amount of revenue.

The so-called Garner tax plan, sometimes erroneously referred to as the Democratic plan, really makes no substantial reduction in surtaxes. It is proposed to reduce it from 50 to 44 per cent. He proposes other vital changes in the Treasury plan. The Treasury Department on careful calculation has pointed out with unerring certainty that such a tax plan would not yield sufficient revenue to run the Government, and while it may be that the proposal was originally made in good faith, the support of the proposal now by the Democrats as a unit smacks very much of political action taken by a party not having the responsibility of government. [Applause.]

Mr. MURPHY. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. The time of the gentleman from Indiana has expired.

Mr. MURPHY. I want to ask the gentleman a question.

Mr. SANDERS of Indiana. I will be glad to answer the gentleman's question.

Mr. MURPHY. Mr. Chairman, I will suggest the absence of a quorum.

The CHAIRMAN. The gentleman from Ohio makes the point of no quorum. The Chair will count. [After counting.] One hundred and twenty-seven Members are present. A quorum is present.

Mr. COLLIER. Mr. Chairman, I yield five minutes to the gentleman from Wisconsin [Mr. FREAR].

The CHAIRMAN. The gentleman from Wisconsin is recognized for five minutes.

Mr. FREAR. Mr. Chairman and gentlemen: You have indulged me with patience in the past, and I intend to speak only for five minutes, and hope to yield back a part of that time.

I have taken the floor only to explain briefly what I think is a misunderstanding and because of questions I have noticed in the Record and which have frequently been asked by various Members.

The first question is: What is the proposal I have introduced, which has been criticized in this morning's press and at other times? It is briefly this: To reduce the normal taxes one-half what they are to-day. That brings them from 4 to 2 and 8 to 4 per cent, and it means \$184,000,000 reduction, twice \$92,000,000, proposed by Mr. Mellon for a 25 per cent reduction in the normal tax. But that is the only reduction, except the reduction to 40 per cent maximum surtax which has been suggested here. It will mean about \$30,000,000 or \$40,000,000 more, or it will come within that amount and aggregate about \$220,000,000. I speak of this because the leader on the Republican side, the gentleman from Ohio [Mr. LONGWORTH], was incorrectly quoted, as he stated a few moments ago to me, that it would take away more money than we have as a surplus. It will not, and it is well within the \$223,000,000 surplus stated by Secretary Mellon.

You say: What is the meaning of that? What is the object of reducing the normal tax from 8 to 4? Briefly, it means this: For the small man—remembering your surtax begins at \$6,000 under the existing law, and running to \$10,000—it will mean a saving to the man with an income of \$10,000, not counting his exemption of \$2,000, of practically \$100. Three hundred and forty-two dollars will be his tax under the Mellon bill, while \$248 will be his tax under the proposal I have made, which means a saving of practically \$100 or 35 per cent of his tax. You say: Does this normal tax mean anything? Absolutely, because it takes away 30 per cent of the tax of the man with an income of \$10,000. Now, take the tax of a man with an income of \$20,000. Under the Mellon plan he will pay a tax of \$1,242, not considering exemptions, while under my plan his tax will be \$1,048, or substantially 20 per cent less. But when you get up to \$35,000 then it changes, and under the

Mellon plan it is slightly lower than it is under my plan. Finally, at \$200,000, the tax paid by the man with that income will be \$55,932 under the Mellon plan, and \$78,768, or about 50 per cent more, under the plan I propose. In other words, it is a tax on the man who has the money.

It is said here, "But you can not reach that man." However, they do it in other countries, and our tax is below that which they have in other countries. Of course, tax-free securities will escape here and there. But we gave a reduction last year from 65 per cent down to 50 per cent. Then 94 of my Republican friends on this side of the House walked over to my friends on the other side, or they came over to them, and they said, "We will stand for the 50 per cent that was put in by the Senate." And that is the law as it stands to-day—50 per cent.

Mr. LITTLE. Will the gentleman yield?

Mr. FREAR. I have only five minutes.

Mr. LITTLE. I just wanted to ask the gentleman whether Senator Penrose voted for that?

Mr. FREAR. I have understood so; and Senator LODGE and many others; they voted for 50 per cent maximum surtax. We are now asked to come down to 25 per cent or 35 per cent, when 94 of us voted for 50 per cent last time. If it was good then, why is it not good to-day? And Mr. McCoy says it brought \$300,000,000 more into the Treasury.

I was talking with some men who are as good judges of a proposition of this kind as any men who could be found here, and I said, "Where is your scientific proposition which came from the Treasury Department?" And they said, "There is no science in these plans, and we know it." The men who have been engaged in tax matters say there is no science in this sort of a proposition, but that you just get the best proposition you can. That is what they are trying to get under the Mellon plan; but that plan helps the man of large income and gives him special relief, but does not help the little fellow, whereas, as I have shown you, the men with the smaller incomes will receive a 30 per cent saving under my proposal over his, and in the Democratic plan they have provided practically, or very near, the same rates as are found in my plan. [Applause.]

The CHAIRMAN. The time of the gentleman has expired.

Mr. GREEN of Iowa. Mr. Chairman, I yield to the gentleman from New York [Mr. BACON] such time as he may desire.

Mr. BACON. Mr. Chairman, during the last three years the Republican Party has remedied the extravagance and depression of a Democratic administration by cutting expenditures in half. It has reduced the debt by four and a half billion dollars and has created a prosperity which has yielded a surplus in the National Treasury of over \$300,000,000 in a year.

The Republican Party intends to pursue its task to its logical conclusion, and in as large a measure as possible intends to relieve the people of the enormous burdens of taxation.

In the last year of a Democratic Congress seven billions of dollars were appropriated, following such a riot of waste in Federal control of railroads and shipping as this country had never before seen.

In the last month of President Wilson's term of office, in March, 1921, 5,000,000 of wage earners were out of work.

A Republican Congress, by the enactment of a restrictive immigration law, prevented an inundation of competing labor; by the passage of a protective tariff restored the home market to American producers; and by the adoption of a Budget system encouraged wise economies.

To-day our appropriations total \$3,000,000,000. There is a job at hand for everybody. Our standard of living and our wage scale are not only higher than anywhere in the world but exceed those of any other period of our history.

It is a fact which none can deny that tax reduction would not be possible to-day if extravagance and waste and great expenditure had continued.

It is no less a fact that unless every effort had been made to decrease the amounts of money spent by the Government the country to-day would not now have a surplus.

And it can not be successfully disputed that a Republican administration is solely responsible for a program which would lift the burdens of taxation from all alike.

I firmly believe that no important piece of legislation was ever so carefully, scientifically, and thoroughly thought out for the greatest good to the greatest number. I, for one, intend to stand by the President, and am in favor of this bill without change and without amendment.

New York State, where the number of Federal income-tax payers is larger than in any other State in the Union, is, of course, vitally interested in this whole tax problem.

The people of my own district, without regard to party, are in favor of this program of tax reduction.

I have received many hundreds of letters from the men and women of my district, without regard to party, declaring themselves emphatically in favor of the administration's program. I have scrutinized these letters to discover, if possible, any trace of propaganda that has been talked about so much here in the House, and I emphatically state that I can find no trace of a concerted effort to influence my vote.

These letters have come from earnest men and women who seem to realize the vital effect that intelligent and scientific tax reduction will have on the welfare of the entire country.

From time to time I have returned to my district and have talked with men and women, regardless of party, in many different communities, and everywhere I have found a unanimity of opinion in favor of this much-needed tax relief.

I have further found that the people of my district have not been fooled by the various rival programs for tax relief that have been offered. They have been able to discern between a carefully and scientifically worked out program on the one hand and programs that are designed merely with a view, as one paper so aptly stated, of advancing "a proposition set up to bedazzle the sucker vote."

No, Mr. Chairman, the people of my district are not fooled by the appeal of the demagogues. They resent the charge that the thoughtful and earnest letters they have written to their Congressman are the result of propaganda. The people of my district are hard-headed, intelligent Americans, blessed with that sane Yankee common sense that is such a marked characteristic of our President.

Mr. Chairman, a reduction of the surtaxes to as near 25 per cent as possible does not mean that men of great incomes will escape their just burdens of taxation.

Under the present law men of great wealth have the legal opportunity of investing in nontaxable Federal, State, and municipal bonds. A reduction to as near 25 per cent in the surtax as possible would attract back again into the industry of the country money that is now safely and legally tucked away where the Federal income-tax collector can not reach it.

Men of the larger incomes would again turn back their capital into productive enterprises, and the entire country would benefit in the ensuing enhanced prosperity. A surtax of 25 per cent would have a far more stimulating effect on the business of the country than would, for example, a surtax of 35 per cent. A surtax of 35 per cent would only bring in at the moment \$10,000,000 a year more income than would a surtax of 25 per cent, and in the long run would not bring as much revenue as would a surtax of 25 per cent.

It is uneconomic and unsound to use taxation as a social weapon for equalizing wealth. The economic way, the sensible way, to accomplish this desired result is through the inheritance tax. I was much impressed with the learned speech of the gentleman from Iowa [Mr. RAMSEYER] last week on this subject. Excessive taxation hampers industry and destroys enterprise and initiative. Inheritance taxes do not have this deadening effect. If Congress wishes to bring about a better distribution of wealth, it should rewrite its inheritance tax laws and not attempt to do so by unsound taxation.

Capital is nothing more than the surplus earnings of a nation, the savings of its citizens. Because of the necessities of financing the great World War we were obliged to take the savings of the people for destructive purposes. During the war the people paid their taxes willingly and did not seek the legal refuge of tax-exempt municipal bonds. But since the war excessive taxation, and particularly unreasonable surtaxes, have been destroying the enterprise and initiative of the people, and more and more the wealthy have been investing in tax-exempt securities and have been withdrawing their money and their brains from productive business.

America in the past has grown great because of the daring, the initiative, and the enterprise of her citizens. We have now reached a time when it is necessary to discontinue the handicaps necessarily imposed during the war. A country, like government, can not stand still. It must go forward. Congress should rather seek to encourage that ability for business and industrial enterprise which has been so characteristic of the American people and which has made America the great country it is to-day. New ventures and new enterprises can not thrive without the investment of those of large incomes. The employment of capital in new industries will provide employment for labor in large numbers and will help in the future, as it has in the past, to make us the greatest industrial Nation on earth.

To-day men of large incomes are inclined to say that the risks involved in new enterprises are too great for them to bear, in

view of the fact that the return, after deducting the high surtaxes, is very low.

Under the present law a man investing in an enterprise, the security of which pays 8 per cent, receives a net return of only 3.36 per cent. Under the bill reported to the House his return will be 5.52 per cent. Under the present law capital can not be coaxed from investment in tax-exempt securities. Under the new law it will seek a larger return in enterprise. In a venture paying 10 per cent, under the present law his net return, after the payment of Federal income tax, is 4.20 per cent. Under the bill under consideration his net return would be 6.90 per cent.

Therefore, if we reduce the surtax from 50 to 25 per cent, we should see a great flood of new capital entering new channels and resulting in the further industrial, commercial, and financial development of the United States.

The country has every right to expect that Congress will tackle this problem in a patriotic and nonpartisan spirit, the same spirit that won the war. If this scientific tax bill is passed without change, I firmly believe the business lifeblood of America will be quickened, new courage and new hope will prevail on all sides, and countrywide prosperity will be made permanent. If it is not passed, or if unsound amendments are added, or if a political substitute is passed, I firmly believe that we will see a gradual slowing up of business and industry. Unless the deadening weight of excessive and unjust taxation is removed from the people, I fear the gradual and stealthy approach of hard times and unemployment.

A great wave of hope swept over the American people when the administration's proposal for tax reduction was first announced. If the Congress refuses to enact this scientific law the resultant reaction will be unfortunate, to say the least, and may be disastrous.

The country is already sensing the possibility of a political tax bill and already signs are unmistakable that there is a feeling of discouragement abroad. An aroused public opinion will ultimately demand a scientific reduction of taxes, which means a reduction of surtaxes to somewhere around 25 per cent. No matter what the outcome is of the discussion here, an issue has been raised which will be settled, and settled right, by the common sense of the country. The people want tax reduction as proposed by President Coolidge and will not be satisfied with a substitute and a sham.

The Democratic Party has presented a plan which it believes will appeal to the greatest number of voters. It declares that it will place the burden on the rich and let them pay the bill in order that the rest of us may have the benefit.

For the moment this contention seems as reasonable as the Democratic contention of 1910—that the Democratic Party, if elected, would reduce the cost of living to the market basket of the average housewife.

It is just as reasonable as the Democratic proposal of 1916 that the Democratic Party would keep the country out of war. It is just as reasonable as the Democratic declaration of 1920 that it would keep the country out of future wars by means of the League of Nations.

It is just as reasonable as the Democratic Party's contention, in and out of its party platforms, that a protective tariff enriches only a few and does not make for general prosperity.

The country knows that the cost of living was doubled under a Democratic administration.

That the reelection of President Wilson did not keep us out of war.

That by 7,000,000 majority the people repudiated the idea that the League of Nations would prevent all future wars.

And that a protective tariff sufficient to cover the difference in the cost of production here and abroad has invariably restored the country to prosperity following upon the gloom and unemployment of Democratic times.

And just so the country will eventually find out that the contention of the Democratic Party that high surtaxes will relieve the poor from all effects of taxation, placing the burden entirely on the wealthy, is in reality nothing but buncombe.

The people of this country will eventually realize, if they do not now, that this scientific tax revision plan proposed by the present administration is really drawn up for the benefit of the entire country. Reducing the surtaxes will loosen the bonds which now hold new capital away from enterprise, will provide an even larger revenue to the Government, and will, in the long run, cause the wealthy to pay in actual dollars and cents more than they pay now. Scientific tax reduction will do more to reduce the excessively high cost of the necessities of life than any other factor.

The fact that the Democratic tax plan would mean a loss of revenue of over \$600,000,000 a year, whereas the surplus in the Treasury is only a little over \$300,000,000 a year, apparently does not in any way interest the gentleman from Texas [Mr. GARNER], the author of the plan. What does he care if the Democratic plan produces a Treasury deficit if he can fool the people sufficiently between now and November to pick up some votes for the Democratic Party? The Democratic caucus has ordered, and the Garner plan must be put through, Treasury deficit and all. But I for one do not believe that the people can be fooled.

The President, in his great speech on Lincoln's Birthday, completely stated the case when he said:

I think it is easy enough to see that I wish to include in the program a reduction in the high surtax rates, not that small incomes may be required to pay more and large incomes be required to pay less, but that more revenue may be secured from large incomes and taxes on small incomes may be reduced; not because I wish to relieve the wealthy, but because I wish to relieve the country.

The financial acumen of the Democratic Party is exemplified by its advocacy of the cause of free silver in 1896. In August of that year it appeared to sweep the country; in November it was snowed under.

The common sense of the American people can be relied upon to duly appraise the vote-getting program of the Democratic Party of 1924 at its true worth. The common sense of the American people can be relied upon to appraise the brand of patriotism and civic righteousness so heavily concentrated in the State of Wisconsin. The surtax of 25 per cent may fail here now, but it will prevail in the end, because it is morally, economically, and scientifically sound.

The abundant prosperity we are now having is a Republican prosperity. If the tax bill fails and hard times result, they will be directly chargeable to the Democratic Party and their Republican allies from Wisconsin.

The wise economies now practiced in the conduct of the Government are Republican economies.

The program for lower taxes, which the country has a right to expect, is a Republican program suggested by a Republican administration.

The confidence of the country is in the honesty, integrity, and common sense of a Republican President, and the majority of 1924 will be a Republican majority. [Applause.]

Mr. COLLIER. Mr. Chairman, I yield to the gentleman from Missouri [Mr. RUBEY] such time as he may desire. [Applause.]

Mr. RUBEY. Mr. Chairman, at this late hour I do not want to take up a great deal of your time, but I do want to call your attention to this, that if you will look in the Record tomorrow morning—I can not give you the exact page—you will find these words: "Mr. RUBEY addressed the committee. His remarks will appear hereafter." [Applause.]

Mr. RUBEY. Mr. Chairman, for many days we have been discussing this tax measure. There is nothing that can possibly be brought to the attention of this Congress which is of more importance nor in which the great masses of the people are more interested than this pending tax measure. The heavy burdens of taxation are bearing down upon the American people to-day as never before in the history of the country. The cry for immediate relief comes to us in no uncertain tones from every part of the Republic. Ours is the greatest country in all the world. We have 48 States all bound together in an inseparable Union. This is beautifully set forth in "The American's Creed" in these words, descriptive of our ideal form of government, "A democracy in a Republic; a sovereign Nation of many sovereign States."

There are necessarily many forms of taxes within the States over which Congress has no control. Congress passes tax laws levying taxes upon the people of the Nation as a whole. The legislatures of the several States pass tax laws governing the taxes to be levied in each State and in each subdivision thereof. There are State taxes, county taxes, city taxes, school taxes, road taxes, street taxes, and taxes for the payment of the principal and interest on bonds issued for various purposes. These are heavy burdens; Congress, as I have said before, can not lighten them. However, it is within the power of Congress, by the form of the taxation it enacts, to avoid placing additional taxes upon a very large part of the people, and it can lower national taxes and thus reduce the burdens which they now bear by reason of the Federal tax laws.

It seems to me that by far the best policy for the Government to follow in the raising of the necessary funds for its various purposes is to confine its methods of taxation to the fol-

lowing: The graduated income tax, including the surtax, and the excess-profits tax; the estate tax, the gift tax so necessary to prevent the avoidance of both the income tax and the estate tax; and the internal revenue taxes, levied, of course, upon nonnecessaries and luxuries. To this then should be added a tariff tax for revenue, levied as far as it is humanly possible upon luxuries only. May the time soon come when Congress—by the use of these methods, and these only—will be able to secure all the funds necessary for the economical administration of the Government. If that were done all other forms of Federal taxes could be abolished. The people would no longer be called upon to pay the so-called nuisance taxes, such as the stamp tax, tax on automobiles, their parts and accessories, tax on picture shows and other amusements, tax on drugs and medicines, and many other articles that could be mentioned. If this were done the great masses of the people in the respective States who are now heavily burdened by the payment of State and local taxes, would in a great degree be relieved of Federal taxes.

One of the fairest, most just, and most equitable methods of taxation ever devised by the mind of man is the graduated income tax law. It calls upon the man who has, and is therefore able to pay. He whose income is small is called upon to contribute but little, he whose income is larger is asked for more, and if his wealth be great and his income therefore much greater, he is called upon to contribute a much greater sum for the support of his Government.

In my particular section of the State, the sixteenth district, which I have the honor to represent, there were only 808 who made income-tax returns in 1921. I represent the good old farmer folk, the best people on earth—honest, frugal, industrious, and patriotic, but not endowed with great wealth. Comparatively few of them, therefore, are blessed with an income sufficiently great to require the payment of an income tax.

The estate tax, in the main, applies to large estates. From the very beginning of the organization of forms of government and the levying of taxes there have been those who sought in one way and another to avoid the payment of taxes. There will always be some who will do this until time shall be no more. The means most generally used by those who have great fortunes is to invest their holdings in tax-exempt securities. It is said that the late William Rockefeller at his death left a very large estate of many millions of dollars, of which \$43,000,000 were invested in tax-exempt securities. To the men of great wealth—and their number has increased very greatly in the past few years—who have sought to avoid payment of income taxes by investing in tax-exempt securities, the final day of reckoning will come. They will pass to the great beyond, and they can not take their tax-exempt securities with them. The Government will, through the workings of an estate tax, come into its own. The vast sums of money these mighty millionaires have thus withheld will be collected from their estates.

A gift tax should by all means become a part of this bill. The gift tax is intended as a means of protecting both the income tax and the estate tax from evasion by the taxpayer. The gift tax should be made to apply only to those who possess great wealth. Under the provisions of existing law there have been hundreds of instances where a man having a large income has deliberately divided his estate among the members of his family.

In this way has he evaded a large income tax and thus avoided especially the payment of a large surtax. When an estate tax is placed in this bill, it will be absolutely necessary that a gift tax be provided in order to prevent the taxpayer from giving away his estate, and thus defeating the very purpose for which an estate tax is enacted. A gift tax, as its name indicates, is a tax upon gifts, and like the income and estate taxes, it is graduated, the larger the gift the higher the rate of the tax.

Mr. Chairman, as I have already indicated, I shall vote for the increased rates to be proposed in the estate tax, and I shall vote for the gift tax. I shall also vote for the restoration of the tax on excess profits which was stricken out in the last Congress. By this one act alone \$450,000,000 was saved for millionaires and multimillionaires of America. This item should by all means go back into the bill.

In consideration of the internal revenue provisions and the miscellaneous items, I shall stand for further reductions on necessities and for some increases on items not necessary and indeed, in some instances, harmful and injurious.

So far as the income-tax provisions are concerned, I am for the Garner or Democratic plan and opposed to the Mellon

plan. In taking this position I do it not because the plan bears the name of my good friend, John Garner, with whom I have served so many years, neither do I support it because it bears the name of the party with which I am affiliated, but because that plan is in the interest, and for the benefit of the great masses of income-tax payers of America. This is a tax reduction bill and in its preparation we should bear in mind that good old doctrine—"the greatest good to the greatest number." Within the confines of this Republic there are 6,650,695 income-tax payers. Of this number 6,641,262 are benefited more under the Garner plan than under the Mellon plan, while there are only 9,433 who will receive greater benefits under the Mellon plan than under the Garner plan.

In the good old State of Missouri there are 172,519 income-tax payers. Of this number, 172,350 will receive greater benefits under the Garner plan and only 169 will be more greatly benefited if the Mellon bill is enacted. In my own congressional district there is not an income-tax payer who will not get greater reduction under the Garner plan than under the Mellon plan. Thus it will be seen that not only are we bringing relief to the greatest number, but what is of far greater importance, we are giving that relief to those least able to pay, and we are, and we shall continue, through the application of the income tax, the estate tax, and the gift tax, to place the heaviest burdens of taxation upon those most able to bear them.

Mr. COLLIER. Mr. Chairman, I yield to the gentleman from South Carolina [Mr. FULMER] such time as he may desire.

Mr. FULMER. Mr. Chairman and gentlemen of the committee, I represent the seventh district of the small but great State of South Carolina, and I am delighted to have the privilege of expressing myself at this time on this very important piece of legislation.

After listening to the discussions I find the Mellon bill, as well as the Republican Party, somewhat in the fix of the negro who was lynched some time ago in Mississippi. Next morning the good people of that section turned out to view the body which was swinging from the limb of a big oak tree, and they found pinned on the body a card with these words, "In statu quo." They could not make out what that meant, so they sent over for an old school-teacher. He came over, adjusted his glasses, and looked at the words. He turned around and remarked: "My friends, it has been quite a while since I taught school, and it has been quite a while since I have read Latin, but if my memory serves me rightly these words mean, 'This nigger is in a hell of a fix.'" [Applause.]

Mr. Chairman and gentlemen, I represent a State whose people still believe in government of the people, for the people, and by the people. They believe in legislation which gives to the greatest number of people the greatest benefit. It has been my sad privilege since coming to Congress to witness the attitude of those in majority, the Republican Congress, desirous of legislating in just the opposite way; that is, to give the greatest benefit to the few at the expense of the many.

This was done under the Esch-Cummins law, which placed in the hands of the Interstate Commerce Commission the power to regulate the valuation of the property of the railroad interests and to adjust rates that would be fair to their interest as well as that of the shipper. In administering this law the Interstate Commerce Commission has increased the valuation several millions of dollars and has so allowed the railroad interests to increase their rates until these exorbitant rates have practically paralyzed agriculture.

How the agricultural industry is to continue to sell its products at near pre-war prices and pay freight rates from 50 to 80 per cent higher than the pre-war rates is not clear to anyone conversant with the facts. While the railroads are doing a profitable business thousands of good farmers are leaving their improved lands because they can not make a living on them. They have no section 15-A—the so-called guaranty clause of the Esch-Cummins Act—and no Interstate Commerce Commission to insure them a profit and a fair return, or even a living, while they are paralyzed by excessive freight rates.

This was also carried out in the passing of the Fordney-McCumber tariff bill, and now, as if people could not read, you propose to put over on the American people a bill known as the Mellon bill, which on its face and in practically every instance is a rich man's bill. I am sure that the figures which I shall now give setting forth the present law, the Mellon plan, along with the Garner figures, will show at a glance who the Democrats favor in tax reduction against those who Mr. Mellon would accommodate at the expense of the small taxpayer. The figures which I shall now give show the total tax payable by a married person without dependents:

Income.	Present law tax.	Mellon plan tax.	Democratic plan tax.
\$3,000.....	\$20	\$15	
\$4,000.....	60	45	\$20
\$5,000.....	100	75	40
\$6,000.....	160	120	80
\$7,000.....	250	180	120
\$8,000.....	340	240	160
\$9,000.....	430	300	200
\$10,000.....	520	360	240
\$11,000.....	620	430	300
\$12,000.....	720	500	360
\$13,000.....	830	580	430
\$14,000.....	940	660	500
\$15,000.....	1,060	750	580
\$16,000.....	1,180	840	660
\$17,000.....	1,310	940	750
\$18,000.....	1,440	1,040	840
\$19,000.....	1,580	1,150	940
\$20,000.....	1,720	1,260	1,040
\$25,000.....	2,560	1,900	1,630
\$30,000.....	3,520	2,660	2,340
\$35,000.....	4,630	3,550	3,180
\$40,000.....	5,840	4,540	4,140
\$45,000.....	7,180	5,590	5,230
\$50,000.....	8,640	6,680	6,440
\$60,000.....	11,940	9,980	9,240
\$70,000.....	15,740	13,440	12,750
\$80,000.....	20,040	17,080	16,850
\$90,000.....	24,840	20,880	21,450
\$94,000.....	26,900	21,840	23,130
\$100,000.....	30,140	24,840	26,430

Under the present tax law a married man without dependents but with an income of \$13,000 pays surtaxes in amount \$110; under Mr. Mellon's plan he would pay \$40; under the Democratic plan he would pay \$10, while incomes of \$12,000 and less would not be subject to surtaxes. Under the present law married persons without dependents but with incomes of \$5,000,000 pay \$2,870,640; under Mr. Mellon's plan they would pay \$1,538,840; under the Democratic plan they would pay \$2,476,430. Under the present law married persons without dependents but with incomes of \$1,000,000 pay taxes in amount \$550,640; under the Mellon plan they would pay \$298,840; under the Democratic plan they would pay \$476,430. Out of the 6,662,000 taxpayers who pay income taxes the Democratic plan gives to 6,650,000 the greater benefit, while the Mellon plan gives to 12,000—the very rich—the greater benefit. Mr. Mellon himself will save under his plan \$1,331,800, while under the Democratic plan he will save only \$394,310. Eighty per cent of the American people will not benefit to the extent of one penny under Mr. Mellon's plan, while 2 per cent of the people, the very rich, will save many millions annually.

Secretary Mellon himself has had no experience in tax legislation. He has been principally interested in levying the most burdensome taxes on the public through Republican high tariffs, as I said a few minutes ago, and only in the last Congress the Mellon aluminum trust got an increase in tariff rates which added \$13,000,000 potential profits to the \$10,000,000 it had made annually since 1910. The Secretary and President Coolidge are opposed to any reduction of the high tariff taxes, which cost the people four billions annually in higher cost of living, as previously stated, and enable the special interests thus protected to put \$3,500,000,000 of that sum in their own pockets.

The income and surtax tax is one tax which, as a rule, can not be passed on to the consumer, while a tariff or sales tax, on the other hand, is paid in full and in even greater measure by the consumer by reason of pyramiding and profiteering. The following will show how tax reduction will be distributed among individual taxpayers, according to their respective incomes, under the Mellon plan:

Income of—

\$5,000,000 individual will save \$1,500,000.
\$1,000,000 individual will save \$251,784.
\$500,000 individual will save \$116,784.
\$250,000 individual will save \$49,284.
\$100,000 individual will save \$10,284.
\$50,000 individual will save \$1,944.
\$25,000 individual will save \$1,107.
\$20,000 individual will save \$747.
\$15,000 individual will save \$469.50.
\$10,000 individual will save \$222.
\$5,000 individual will save \$29.75.
\$4,000 individual will save \$12.75.

In other words, a person with an income of \$1,000,000 saves under the Mellon plan \$251,784, while 50 heads of families, each having an income of \$20,000—total, \$1,000,000—save under the Mellon plan only \$35,350. One hundred heads of

families, each with an income of \$10,000—total, \$1,000,000—save under the Mellon plan only \$22,200. Two hundred heads of families, each having an income of \$5,000—total, \$1,000,000—save under the Mellon plan \$5,950. Four hundred heads of families, each having an income of \$2,500—total, \$1,000,000—save under the Mellon plan nothing. Thus you can very readily see who gets the melon.

Evidently Mr. Mellon has three objects in mind—he wishes to defeat the soldiers' bonus, provide the Coolidge administration with a popular "paramount issue," and add to the huge fortunes of the very rich. He has been working on this program from the moment he was sworn in as Secretary of the Treasury, a position for which he is clearly ineligible if the Constitution means what it says. All of his public utterances show that in principle he is opposed to income and inheritance taxes. Being one of the world's richest men, he very naturally champions the theory that enormous fortunes in the hands of the few are a good thing and should be encouraged.

Mr. Mellon's plan proposes a reduction of \$323,000,000, chiefly for the larger income-tax payers, while the Fordney-McCumber tariff bill, put over by the same "big interests," who said that it would be the salvation of the farmer and save America, lays a tax upon the people conservatively placed at \$4,000,000,000. You do not hear Mr. Mellon or "his interests," who largely benefit therefrom, either through the press or other organized channels asking for the repeal or any modification of the extortionate rates in the present tariff bill. Consumers of sugar, which include the farmers and wage earners, are paying a tax annually of \$200,000,000 due to the duty under the Fordney-McCumber tariff bill.

Something like 700,000 farmers have gone bankrupt since the beginning of the Harding-Coolidge administration, according to the Department of Agriculture. That means not fewer than 2,500,000 men, women, and children have been reduced to poverty and distress. But the trusts and combines which got the profiteer's tariff for themselves have been declaring big stock dividends.

Speaking from the viewpoint of a business man, I think the great fundamental and businesslike thing to do is to pay more attention to expenditures of the people's money, thereby eliminating any necessity for looking for any breach of trust on the part of the American people. It has become an everyday occurrence with Congress to create new departments, boards, and to add new bureaus to already created departments, thereby increasing numbers on pay rolls not only in the lower brackets but in high positions, which in many cases are but parasites inflicted on an already overburdened people.

As to the power given to these departments, Mr. Mellon says that taxpayers of large incomes are not paying, when, as a matter of fact, he has the power to either force them to pay or let them get by. Mr. Fall, Secretary of the Interior, and Mr. Denby, Secretary of the Navy, claim the right to give away the oil resources which were intended and should be reserved for the Navy. While Mr. Denby was doing this he successfully put over the Congress a large appropriation to carry on work in the Navy Department at a time when all good, sane men would agree that these appropriations could be very easily cut. I voted against it.

The Federal Reserve Board, which has control of the finances of this country, did on May 18, 1920, put into operation plans formulated behind closed doors which wrought havoc to this country. Mr. W. G. P. Harding—so I am told by a member of the Banking and Currency Committee of the House—put through them an amendment allowing a sliding scale in interest rates, and in some cases the system charged member banks as much as 65 per cent. Under this policy interest rates were increased from 4 to 6 and 8 per cent, but I am glad to have Mr. Crissinger, governor of the board, say now that rates should never have been increased, but should have remained from 4 to 4½ per cent. Centralization of power in Washington and in departments taken away from the States is making bureaucrats in these departments. No wonder the people are disgusted with the scandal that is now going on with some of the departments in Washington.

There is only one country in the world which has suffered a greater increase in taxation than the United States. That nation is England. Expressed in terms of the 1913 dollar, and disregarding fluctuations in currency value, England has increased her taxation 217 per cent since 1913. The United States has increased its taxation 204 per cent.

It is estimated that the national income, the combined earnings of the entire country, amount to about fifty-eight billions of dollars. Out of that \$58,000,000,000 income the American public is being asked to contribute over seven billions of dollars to maintain their National, State, and local Governments.

According to official figures there are 41,000,000 people in the United States above the age of 16 who are employed in some gainful occupation. They represent the Nation's earning power.

Since 1913 the Federal, State, and local governments have added \$27,000,000,000 to their debt, making a total government debt in the United States of \$32,000,000,000.

The National Industrial Conference Board estimated that there are in the United States 3,400,000 people on some government pay roll and that the actual total pay-roll cost amounts to \$3,800,000,000. This would indicate that every 11 workers in the United States are supporting one person on a government pay roll.

I have been promised that I shall be given an opportunity to vote to remove a tax that is now collected on trucks, tires, and auto repair parts which was placed on these articles as a war revenue measure. About one-third of all the motor cars in the United States are owned by farmers to whom the added cost of the tax on tires and repair parts is a very considerable burden. The millions of farmers to whom the motor vehicle is a necessity, not a luxury, would welcome lower prices and cheaper repair parts. Nothing in the proposals of tax reduction so far submitted to the Congress would so directly result in immediate savings to many millions of persons of average means.

Motor vehicles are now in many States subject to triple taxation; first the Federal tax, then the State license tax, and in many communities they are assessed as "personal property" on which the prevailing local tax rate is imposed. A proposition to put a special tax on locomotives, freight or passenger cars, and to require railway companies to pay another tax as a license for their operation would be flouted by the Congress. With the constant extension of improved roads the service rendered by motor transport is steadily increasing and has become an important factor in handling an enormous volume of all kinds of local and suburban freight.

COMING BACK TO THE MELLON PLAN.

Being from a State—South Carolina—where we have only 25,160 income-tax payers, we would under the Democratic plan give the greater benefit to 25,149 taxpayers, while under the Mellon or Republican plan 11 persons only would receive the greater benefit. I do not know who the 11 persons are who will benefit to a greater extent under the Mellon plan. Perhaps I could name some of them, but true to my argument made during all of my campaigning, that I would stand up and work for the best interest of the great masses of the people of my State, I shall vote for the 25,149 instead of the 11.

Mr. Mellon proposes, first, a reduction of the higher surtax from 50 to 25 per cent, which means a tax reduction of nearly \$200,000,000 on surtax incomes of the big taxpayers. One reason for opposing this feature of the plan is because it will not relieve the millions of farmers and small business men of one penny of taxation. These are the people who have been and still are falling by the wayside for the past three years, yet they are the salvation of the country. If big business did not have them to feed on, from whence would its enormous profits come?

It would be very interesting if Mr. Mellon would point out a number of big industries in America that are being denied capital on account of surtax rates. Is it the iron and steel industry in which the United States Steel Corporation declared an extra dividend? Is it in the automobile industry wherein the fabulous profits of Henry Ford are known to every average citizen? Is it in the woolen textile industry where the profits are constantly piling up? Is it in the aluminum manufacturing industry where the capital has been built up from near \$3,000,000 to near \$100,000,000 out of profits or chiefly so? Mr. Mellon's concern, known as the Aluminum Co. of America, according to reliable figures, as shown July 31, 1921, has accumulated a surplus of \$92,153,861, and had earned during the 10 years ending December 31, 1920, an average of \$10,000,000 annually after deductions for interest, taxes, depreciation, depletion, and so forth. So we see that the Mellon notion that capital is being kept out of industry by surtaxes undoubtedly does not apply to agriculture, with its \$78,000,000,000 capital, because under high tariff and other unsound domestic and international economic policies the farmer can not get in the surtax list. During the past three years more farmers have gone on the rolls of bankruptcy than on the income-tax rolls.

In 1921 Congress cut surtax rates from 65 to 50 per cent on net taxable incomes from \$200,000 up, largely because "big interests" promised that prices to the consumer would be reduced as they say now that like reduction will follow under the Mellon plan. But just the reverse has happened, for prices have been going up. Shoes, clothing, wagons, machinery, and many other things that the farmer has to buy

are higher to-day than they were before the cut, although this cut saved the very large taxpayers \$61,500,000. The repeal of the excess-profits tax saved this same class of taxpayers \$450,000,000, making a grand total of \$511,500,000. During the four years of war (according to the records) these large corporations so relieved made over thirty billions of dollars after paying excess-profits taxes. About nineteen of this thirty billions were made by 1,000 corporations, among the largest of which were the "Mellon interests," dominated by the present Secretary of the Treasury. These are the same people who are asking that the higher surtax rates be reduced from 50 to 25 per cent on the theory that millions of dollars now tied up in tax-free securities will be withdrawn and re-invested in industry and that prices on what the consumer has to buy will be reduced.

From the Mellon propaganda one would think that business is almost at a complete standstill. And yet the press is teeming with such headlines as: "Stocks moved into higher ground yesterday in spite of the prolonged advance;" "1924 rail funding may exceed 1923, capital expenditures made in 1923 aggregate \$1,076,000,000;" "1923 was one of the most spectacular years the steel trade has ever known;" "Old-fashioned prosperity was the keynote of the year just closed in the sugar-growing industry;" "Nearly \$3,000,000,000 was expended in the building industry during 1923, the building boom sweeping the country;" "Nation has 14,000,000 motor cars, and 400,000 auto trucks are to be built during the coming year;" "Packing industry back to normal," etc. A long list of leading bankers and business men testified that "the year opened with favorable prospects for business in 1924."

Yet these headlines are true only in part. They are true with respect to sections that are prospering under the Republican legislation, namely in the manufacturing centers, in New York and the New England States. A mere glance at these headlines will enable you to tell where this prosperity is and who are the sole owners of it. If you will read the headlines of the newspapers in the great agricultural sections of the country, comprising the West, Northwest, and the South, where folks do not own bonds, railroads, automobile factories, and steel industries, you will see a very different condition existing. Here is a second picture representing just the reverse of conditions in these manufacturing sections. I want you to note, too, that this picture was painted by a Republican administration that was elected by a majority of about 7,000,000 of people over a Democratic administration, which will clearly demonstrate the absolute inability of the Republican Party to carry on in the interest of the great American people, and will also show the effects of legislation that it has passed in the interest of the few against the many, about which I have been talking.

Under a Republican administration or control of national affairs for the last three years what do we find according to the records of Dun and Bradstreet? In 1921 there were 404 bank failures involving liabilities of \$173,027,776. In 1922 the failures numbered 277 with liabilities of \$77,735,551. During the 12 months of 1923 there were 504 failures representing liabilities of \$196,790,000.

Both in number and in the aggregate of liabilities the bank failures in the past three years have been six times as great as for the preceding three years under President Wilson. The reports show that in the last calendar year there were failures of 70 national banks. More national banks failed in this country last year than during the entire period of seven years under the Wilson administration from 1914 to 1920, both inclusive, and during the period of the World War and the two years of reconstruction which followed. In the year 1923 alone there were seven times as many failures of national banks as in the three fiscal years 1917, 1918, and 1919 combined under the Wilson administration.

Commercial failures during the Harding-Coolidge administration are as startling in number and financial significance as the bank failures. There were 62,048 commercial failures with liabilities aggregating \$1,781,830,134 in the Republican years 1921-1923. In the three Democratic years, 1918-1920, there were 25,314 commercial failures involving liabilities of \$571,433,021. The increase in the number of commercial failures during the last three years under Republican rule compared with the last three years under the Wilson administration was 36,734. The increase in the total of liabilities under the last three years of the Harding-Coolidge administration compared with the last three years of Democratic administration was \$1,210,397,113.

These vast totals from the business casualty list are exclusive of tens of thousands of farmers, cattle growers, and individuals who have been ruined during the past three years,

and who have been sold out under the sheriff's hammer, but whose failures are not recorded with the mercantile agencies. In addition to this no lists have been made of the number of suicides and of the thousands of boys and girls, especially on the farms of the West, Northwest, and South, who were denied an education. The greater number of these boys and girls come from the rural districts where the best brains of the country are to be found. Because of their being handicapped by being denied an education they will never be able to make for themselves a name in history or fill lucrative places in life. When I think about these conditions brought about by the W. P. G. Harding deflation policy, railroad, tariff, and Mellon legislation, for no other purpose, it seems to me, than to make the rich richer and the poor poorer, I stand and look at the amazing unrest in the country and the amount of Bolshevism that is looming up in the distance and wonder if those who advocate such legislation and such policies can not see their impending doom in the distance.

Mr. COLLIER. Mr. Chairman, I yield to the gentleman from Indiana [Mr. CANFIELD] such time as he may desire.

Mr. CANFIELD. Mr. Chairman and gentlemen of the committee, I represent an agricultural district in Indiana, the fourth district. We are interested in legislation that is for the common people. I want to register a protest against the so-called Mellon bill and assure you that I am for the Garner bill.

I shall take advantage of the general leave already granted, and revise and extend my remarks in the Record.

The district I have the honor to represent is an agricultural district, and while we have a number of good factory cities and towns they are not of the special-interest class. The citizens of my district—at least 98 per cent of them—are interested in legislation that will be helpful to the great common people of our country.

The big question, or one of the big questions, that will be considered at this session of Congress is the tax question. In my district, as well as in every part of our country, the question that is uppermost in the minds of everyone today is the question of tax reduction. Go where you will and the first question that is asked of you is, "Are you going to give us any relief from our heavy tax burdens at this session of Congress?" And they have a right to ask this question, and, furthermore, they have a right to expect and demand a reduction.

A program for reducing our taxes has been proposed, known as the Mellon plan, and we are told that millions of dollars have been spent to get the people and Congress to blindly accept this program, and I agree with the statement made by Senator COUZENS, of Michigan, in his speech on the Senate floor January 21, 1924, where he says:

More dishonest statements, misstatements, if not absolute falsehoods, have been handed out at the Treasury Department of the United States for the purpose of misleading the public than ever were issued by a public department in my recollection of government.

Every Member of this Congress has been flooded with letters and telegrams urging, and some demanding, the passage of the Mellon plan.

If this so-called Mellon plan is the very best program that can be adopted for all the people, why was it necessary for the big interests or the money kings to call all their forces together for the purpose of bringing all the pressure to bear possible? Some of them have even had all their clerks write their Congressman and Senators, and some have even gone so far as to have their Bible class write their Congressman and their Senators, asking them to support the Mellon plan.

I feel that it is the duty of every Senator and every Congressman to find out the motives back of all this propaganda and all the misstatements that have been sent out for the purpose of getting us to blindly accept this big-interest program.

I am told that the Secretary of the Treasury sent out a statement a few days ago in which he said that all surtaxes are passed on to the consumer and that a reduction of surtaxes would mean a reduction in the cost of living. Any school child in America would know better than to make a statement like that and expect the public to believe it, and yet this statement has been heralded through the press of our country, expecting the American people to believe it, due to the fact that the statement was made by the Secretary of the Treasury.

We have also had able Congressmen come on the floor of this House and make similar statements, expecting the Members of this Congress to believe them and accept them as facts; but I am told that they are to be excused, as it is to their interest to champion legislation that is in the interest of the moneyed powers of our country.

We have also been told on the floor of this House, and I understand that Mr. Mellon asserts that a 25 per cent surtax will net the Government as much as a 50 per cent surtax, as a 25 per cent surtax can be collected while the Government can not collect the 50 per cent surtax due at the present time, and that if the surtax was cut to 25 per cent there would be less incentive to evade the payment of taxes. This to me is mere schoolboy talk. Anyone that will avoid paying a 50 per cent surtax, if it is possible for him to do so, will also do everything in his power to avoid paying a 25 per cent surtax, and if our Secretary of the Treasury admits that it is impossible for his department to collect the taxes due the Government, it is time that we have another investigation and some one put in charge that can collect the tax that is justly due the Government.

There never was a greater representative of the moneyed interests of the country in the Treasury Department than there is at this time and our people everywhere wonder why he accepted a Cabinet position at \$12,000 a year when he can make millions in his own business.

If we could check up on him we would find that he is making many more millions in his own business to-day than he did before he was made Secretary of the Treasury, for largely by his own efforts he has been able to get Congress to raise the import tax on aluminum wares, plate glass, and many other articles that his plants practically control in this country. This has made it possible for him to make millions in his own business and in addition to all this he has witnessed, since he has been in the Cabinet, the cutting of his corporation taxes and his personal taxes, also largely due to his own efforts, and now he asks the Congress of the United States to put through the so-called Mellon plan for the relief of the needy millionaires, which, if made a law, will mean many more millions to our good friend, Mr. Mellon.

I feel that the tax question should be given very careful consideration at this session of Congress and the tax burdens of the American people should be reduced just as much as possible, but personally I can not lead myself to believe that it is right that we should pass a bill that will benefit the men with large fortunes and give practically no relief to the average business men, farmers, and laboring men of our country.

There is much in the so-called Mellon plan that I thoroughly agree with and there is much with which I can not agree.

I think the nuisance tax should be given much consideration and the ways by which many are able to escape taxation should be eliminated. The tax on earned incomes should be much less than it is on unearned incomes. There is an excise tax on certain manufactured articles that go in almost every home that should be discontinued, as the excise tax is always added to the price of the article and passed on to the consumer and, as a rule, is marked on the face of the invoice and marked excise or Government tax. I am very much in favor of eliminating all excise taxes and tax on amusement tickets, as these taxes are always passed on to the consuming public.

I feel that the parts of this bill that are for the best interests of all the people should receive the whole-hearted support of every Member of Congress, but I can not see the justice of giving so much to the big interests who have the large incomes and so little to those of smaller incomes.

At the present time different plans are before this Congress, one called the Mellon plan and the other the Garner or Democratic plan.

As I understand them the Mellon plan means a big reduction for the big interests or money kings of our country, with very little reduction for the average business man and men with ordinary means, while the Garner or Democratic plan means a fair reduction for all, as shown by the following table.

BENEFICIARIES OF THE DEMOCRATIC TAX-REDUCTION PLAN AND OF THE MELLON PLAN BY STATES (COMPARATIVE TABLE).

The following table of the number of persons making income-tax returns in 1921 is compiled from the official figures of the Treasury Department contained in the annual report of the Commissioner of Internal Revenue for 1921.

It shows the total number of persons making income-tax returns in each State, and the number benefited more by the Democratic (Garner) plan than by the Mellon plan, and the number benefited more by the Mellon plan than by the Democratic (Garner) plan in each State. The totals show—

Democratic plan gives greater benefits than the Mellon plan to 6,641,262.

The Mellon plan gives greater benefits than the Democratic plan to 9,433.

Income-tax returns, by States.

State.	Total number making income-tax returns.	Number benefited more by Mellon plan.	Number benefited more by Democratic (Garner) plan.
Alabama.....	43,009	35	42,974
Arizona.....	18,477	1	18,476
Arkansas.....	33,830	10	33,820
California.....	386,082	435	385,647
Colorado.....	69,676	40	69,636
Connecticut.....	123,269	173	123,096
Delaware.....	15,889	17	15,872
District of Columbia.....	89,966	102	89,864
Florida.....	42,249	28	42,221
Georgia.....	67,719	48	67,671
Idaho.....	22,976	3	22,973
Illinois.....	611,558	857	610,701
Indiana.....	150,300	86	150,214
Iowa.....	111,483	42	111,441
Kansas.....	88,785	16	88,769
Kentucky.....	69,495	45	69,451
Louisiana.....	67,990	50	67,940
Maine.....	44,397	42	44,355
Maryland.....	112,993	176	112,787
Massachusetts.....	388,442	749	387,693
Michigan.....	250,147	264	249,883
Minnesota.....	124,501	131	124,370
Mississippi.....	25,614	9	25,605
Missouri.....	172,519	169	172,350
Montana.....	39,907	5	39,902
Nebraska.....	71,853	22	71,831
Nevada.....	9,719	3	9,716
New Hampshire.....	32,410	24	32,385
New Jersey.....	269,095	404	268,692
New Mexico.....	11,780	3	11,777
New York.....	1,066,637	3,031	1,063,606
North Carolina.....	44,161	52	44,109
North Dakota.....	18,440	2	18,438
Ohio.....	367,096	539	366,557
Oklahoma.....	69,381	32	69,349
Oregon.....	62,804	28	62,776
Pennsylvania.....	621,103	1,218	619,885
Rhode Island.....	48,057	138	47,919
South Carolina.....	25,160	11	25,149
South Dakota.....	21,681	1	21,680
Tennessee.....	60,949	31	60,918
Texas.....	200,188	104	200,084
Utah.....	26,128	4	26,124
Vermont.....	17,746	14	17,732
Virginia.....	76,257	32	76,225
Washington.....	115,688	30	115,658
West Virginia.....	75,277	63	75,214
Wisconsin.....	148,457	108	148,349
Wyoming.....	22,413	6	22,407
Total.....	6,650,695	9,433	6,641,262

¹Includes Alaska.

According to the Treasury Department statistics for 1921, in Indiana 150,300 persons filed income-tax returns. Out of this number 150,216 taxpayers would receive a greater benefit under the Garner plan than under the Mellon plan, and 84 would receive a greater benefit under the Mellon plan than under the Garner plan.

In the district I have the honor to represent, which is the fourth district in Indiana, statistics show that in 1921 there were 3,332 persons who paid income tax, and out of this number I dare say that not over 3, or possibly 5, would receive a greater benefit under the Mellon plan than they would under the Garner or Democratic plan.

The Members of this House know that the revenue bill was revised about a year and a half ago, and that at that time the excess-profits tax was made a thing of the past. This action relieved the big interests of a tax burden of approximately \$450,000,000. The reason I say this is because the big interests paid practically all of the excess-profits tax, and, if I remember correctly, the surtax was reduced from 65 per cent to 50 per cent at the same time, which meant another saving to them of approximately \$90,000,000, or \$540,000,000 in all.

Mr. Mellon now proposes to reduce the surtax from 50 per cent to 25 per cent, which means a saving of 50 per cent to the big interests, while the average taxpayer who pays from \$2,000 to \$10,000 will only receive a 25 per cent reduction.

This may seem right to Mr. Mellon and the men who are in his class, but you know and I know that it is not in the interest of the great mass of taxpayers in our land, and I, for one, register a protest against it.

I feel that a bill should be passed by this Congress that will be in the interest of the great mass of people with small incomes, regardless of who introduces it, and that something should be done to let the people know that the so-called Mellon plan is not the best plan by which the people of our country

can get relief from their tax burden, and that the thousands, yes, millions, of people who are demanding the passage of the Mellon plan, who never saw it and do not even know what it means, be informed as much as possible that it is not in the interest of the great mass of taxpayers in our country, but is for the relief of, as I have stated before, the money kings of our country or the special privileged few.

The following table of comparison of the Garner or Democratic plan with the Mellon or Republican plan should be of interest as well as instructive to all:

Comparative table showing the total tax payable by a married person without dependents under the rates of the present law and under the suggested rates of the Mellon and Democratic plans and the amount and percentage of reduction under the above plans (basis of unearned income).

Income.	Present law tax.	Mellon plan tax.	Dollars reduction.	Percent- age reduction.	Democ- ratic plan tax.	Dollars reduction.	Percent- age reduction.
\$1,000							
2,000							
3,000	\$20	\$15	\$5	25.00		\$20	100.00
4,000	60	45	15	25.00	\$20	40	66.67
5,000	100	75	25	25.00	40	60	60.00
6,000	160	120	40	25.00	80	80	50.00
7,000	250	180	70	28.00	120	130	52.00
8,000	340	240	100	29.41	160	180	52.94
9,000	430	300	130	30.23	220	210	48.84
10,000	520	360	160	30.76	280	240	46.15
11,000	620	430	190	30.64	340	280	45.16
12,000	720	500	220	30.55	400	320	44.44
13,000	830	580	250	30.12	470	360	43.37
14,000	940	660	280	29.78	540	400	42.55
15,000	1,060	750	310	29.24	620	440	41.51
16,000	1,180	840	340	28.81	700	480	40.68
17,000	1,310	940	370	28.24	790	520	39.69
18,000	1,440	1,040	400	27.77	880	560	38.89
19,000	1,580	1,150	430	27.21	980	600	37.97
20,000	1,720	1,260	460	26.74	1,080	640	37.21
21,000	1,880	1,380	500	26.59	1,190	690	36.70
22,000	2,040	1,500	540	26.47	1,300	740	36.27
23,000	2,210	1,630	580	26.24	1,420	790	35.75
24,000	2,380	1,760	620	26.05	1,540	840	35.29
25,000	2,560	1,900	660	25.78	1,670	890	34.77
26,000	2,740	2,040	700	25.54	1,800	940	34.31
27,000	2,930	2,190	740	25.25	1,940	990	33.79
28,000	3,120	2,340	780	25.00	2,080	1,040	33.33
29,000	3,320	2,500	820	24.69	2,230	1,090	32.83
30,000	3,520	2,660	860	24.43	2,380	1,140	32.39
31,000	3,730	2,830	900	24.12	2,540	1,190	31.90
32,000	3,940	3,000	940	23.85	2,700	1,240	31.47
33,000	4,170	3,180	990	23.74	2,870	1,300	31.18
34,000	4,400	3,360	1,040	23.63	3,040	1,360	30.91
35,000	4,630	3,550	1,080	23.32	3,220	1,410	30.45
36,000	4,860	3,740	1,120	23.04	3,400	1,460	30.04
37,000	5,100	3,940	1,160	22.74	3,590	1,510	29.61
38,000	5,340	4,140	1,200	22.47	3,780	1,560	29.21
39,000	5,590	4,340	1,250	22.36	3,980	1,610	28.80
40,000	5,840	4,540	1,300	22.26	4,180	1,660	28.42
41,000	6,100	4,750	1,350	22.13	4,390	1,710	28.03
42,000	6,360	4,960	1,400	22.01	4,600	1,760	27.67
43,000	6,630	5,170	1,460	22.02	4,820	1,810	27.30
44,000	6,900	5,380	1,520	22.03	5,040	1,860	26.96
45,000	7,180	5,590	1,590	22.14	5,270	1,910	26.60
46,000	7,460	5,800	1,660	22.25	5,500	1,960	26.27
47,000	7,750	6,020	1,730	22.32	5,740	2,010	25.94
48,000	8,040	6,240	1,800	22.38	5,980	2,060	25.62
49,000	8,340	6,460	1,880	22.54	6,230	2,110	25.30
50,000	8,640	6,680	1,960	22.68	6,480	2,160	25.00
51,000	8,950	6,900	2,050	22.90	6,740	2,210	24.69
52,000	9,260	7,120	2,140	23.11	7,000	2,260	24.41
53,000	9,580	7,350	2,230	23.27	7,270	2,310	24.11
54,000	9,900	7,580	2,320	23.43	7,540	2,360	23.84
55,000	10,230	7,810	2,420	23.65	7,820	2,410	23.55
56,000	10,560	8,040	2,520	23.86	8,100	2,460	23.30
57,000	10,900	8,270	2,630	24.12	8,390	2,510	23.03
58,000	11,240	8,500	2,740	24.37	8,680	2,560	22.78
59,000	11,590	8,740	2,850	24.59	8,980	2,610	22.53
60,000	11,940	8,980	2,960	24.79	9,280	2,660	22.28
61,000	12,300	9,220	3,080	25.04	9,590	2,710	22.03
62,000	12,660	9,460	3,200	25.28	9,910	2,760	21.77
63,000	13,030	9,700	3,330	25.55	10,240	2,810	21.41
64,000	13,400	9,940	3,460	25.82	10,580	2,860	21.04
65,000	13,780	10,190	3,590	26.05	10,930	2,910	20.68
66,000	14,160	10,440	3,720	26.27	11,290	2,970	20.32
67,000	14,550	10,690	3,860	26.53	11,660	3,030	19.95
68,000	14,940	10,940	4,000	26.77	12,030	2,910	19.48
69,000	15,340	11,190	4,150	27.05	12,410	2,930	19.10
70,000	15,740	11,440	4,300	27.31	12,790	2,950	18.74
71,000	16,150	11,700	4,450	27.55	13,180	2,970	18.39
72,000	16,560	11,960	4,600	27.78	13,570	2,990	18.05
73,000	16,980	12,220	4,760	28.03	13,970	3,010	17.73
74,000	17,400	12,480	4,920	28.28	14,370	3,030	17.41
75,000	17,830	12,740	5,090	28.55	14,780	3,050	17.11
76,000	18,260	13,000	5,260	28.81	15,190	3,070	16.81
77,000	18,700	13,270	5,430	29.04	15,610	3,090	16.52
78,000	19,140	13,540	5,600	29.26	16,030	3,110	16.25
79,000	19,590	13,810	5,780	29.50	16,460	3,130	15.98
80,000	20,040	14,080	5,960	29.74	16,890	3,150	15.71
81,000	20,500	14,350	6,150	30.00	17,330	3,170	15.46
82,000	20,960	14,620	6,340	30.25	17,770	3,190	15.22
83,000	21,430	14,900	6,530	30.47	18,220	3,210	14.98
84,000	21,900	15,180	6,720	30.68	18,670	3,230	14.75
85,000	22,380	15,460	6,920	30.92	19,130	3,250	14.52
86,000	22,860	15,740	7,120	31.15	19,590	3,270	14.30
87,000	23,350	16,020	7,330	31.39	20,060	3,290	14.09
88,000	23,840	16,300	7,540	31.63	20,530	3,310	13.88
89,000	24,340	16,590	7,750	31.84	21,010	3,330	13.68

Comparative table showing the total tax payable by a married person, etc.—Continued.

Income.	Present law tax.	Mellon plan tax.	Dollars reduction.	Percent- age reduction.	Democ- ratic plan tax.	Dollars reduction.	Percent- age reduction.
\$90,000	\$24,840	\$16,880	\$7,960	\$32.04	\$21,490	\$3,350	13.49
91,000	25,350	17,170	8,180	32.27	21,980	3,370	13.29
92,000	25,860	17,460	8,400	32.48	22,470	3,390	13.11
93,000	26,380	17,750	8,630	32.71	22,970	3,410	12.93
94,000	26,900	18,040	8,860	32.94	23,470	3,430	12.75
95,000	27,430	18,340	9,090	33.14	23,970	3,460	12.61
96,000	27,960	18,640	9,320	33.33	24,470	3,490	12.48
97,000	28,500	18,940	9,560	33.54	24,970	3,530	12.39
98,000	29,040	19,240	9,800	33.74	25,470	3,570	12.29
99,000	29,590	19,540	10,050	33.97	25,970	3,620	12.23
100,000	30,140	19,840	10,300	34.17	26,470	3,670	12.18

You can see it is the intention of the Democratic plan to fix normal income-tax exemptions at \$2,000 for single persons and \$3,000 for married persons, instead of \$1,000 for single persons and \$2,500 for married persons as proposed in the Republican plan.

It is the intention of the Democratic plan to fix normal income-tax rates at 2 per cent on amounts of \$5,000 and under instead of 3 per cent under \$4,000 as the Republicans propose; 4 per cent from \$5,000 to \$10,000 instead of 6 per cent above \$4,000 as the Republicans propose.

It is also the intention of the Democratic plan to let surtax graduation commence with 1 per cent on incomes from \$12,000 to \$14,000 instead of \$10,000 to \$12,000 as the Republicans propose.

By the above table and statements you can see that those with large incomes will be the chief beneficiaries by the Republican plan, while the Democratic plan will be in the interest of those with smaller incomes.

Everyone wants to see taxes reduced, and personally I feel that tax reduction should be along lines that will benefit the great common people of our country and bring relief to those least able to pay.

The Mellon plan proposes a reduction of the higher surtax from 50 to 25 per cent, which means a tax reduction of nearly \$200,000,000 on the surtax of the big taxpayers. One of my reasons for opposing this feature of the Mellon plan is because it will not relieve the millions of farmers and small business men of one penny of taxation. These are the people who have been and are still falling by the wayside for the past three years, yet they are the salvation of our country. If big business did not have them to feed on, from whence would its enormous profits come?

As I have stated before, in 1921 Congress cut surtax rates from 65 to 50 per cent on net taxable incomes from \$200,000 up, largely because big interests promised that prices to the consumer would be reduced, as they say now that like reduction will follow under the Mellon plan. But just the reverse has happened, for many of the things that the farmer has to buy are higher to-day than they were before Congress cut the surtax from 65 to 50 per cent.

During the war, according to the records, these large corporations who are asking for a reduction of their surtax profited to the extent of approximately \$30,000,000,000 after paying excess-profits tax. About \$19,000,000,000 of this \$30,000,000,000 was made by 1,000 corporations, among the largest of which were the "Mellon interests," dominated by the present Secretary of the Treasury, and these are the people whom our Secretary of the Treasury is asking us to take care of when he asks that the surtax rates be reduced from 50 to 25 per cent, and I am frank to say, Mr. Speaker and gentlemen of the House, that I do not think that anything like this reduction should be made in the surtax rates, as legislation of this kind would mean that we are legislating in favor of the big interests and against the interests of the farmers, laboring men, and smaller business men of the country.

Mr. Speaker and gentlemen of the House, there is another tax that I feel should be given consideration during this session of Congress, for in my opinion it is of far more interest to the farmer, laboring man, and small business man of the country than the income tax. This tax is known as the tariff tax, which was made possible by the passage of the Fordney-McCumber tariff law; this is a tax that everyone has to pay, and there is no tax expert or expert accountant that can tell you how to avoid paying this tax. This tax under the present Fordney-McCumber tariff law costs the average workingman or farmer with a family of five \$159 annually, and we are told that this tariff law costs the farmers of our country \$300,000,000 annually, and the question that is uppermost in their minds

at the present time is "What is Congress going to do to relieve these distressed conditions that now surround the farming industry throughout the United States," and in my opinion, Mr. Speaker and gentlemen of the House, this question can be answered in a great measure by this Congress by seeing that the farmers' taxes are reduced, transportation charges adjusted to a fair rate for services rendered, and, above all, do away with the present Fordney-McCumber tariff law; then the farmers of our country will be placed upon an equal basis with the rest of the business world and will enjoy an equal amount of prosperity with their fellowmen, to which they are justly entitled.

It seems strange to me that the same big interests who advocated a high protective tariff for, as they stated, the farmers, laboring men, and small business men of our country, and who have so miserably failed, should come back on the floor of this House and expect the Members of this Congress to believe them when they say that a big reduction in surtaxes on the big incomes made by the big interests can or will in any way benefit the farmers and small business men who are entitled to consideration at the present time.

Mr. Mellon's plan proposes a reduction of \$323,000,000, chiefly for the larger income-tax payers, while the Fordney-McCumber tariff bill put over by the same "big interests" who said that it would be the salvation of the farmers and save America, lays a tax upon the people conservatively placed at \$4,000,000,000. You do not hear Mr. Mellon or "his interests" who largely benefit therefrom, either through the press or other organized channels, asking for the repeal or any modification of the extortionate rates in the present tariff bill. Consumers of sugar, which includes farmers and wage earners, are paying a tax annually of \$200,000,000 due to the duty under the Fordney-McCumber bill.

Mr. Mellon's concern known as the Aluminum Co. of America, according to reliable figures, as shown July 31, 1921, had accumulated a surplus of \$92,153,861 and had earned during the 10 years ending December 31, 1920, an average of \$10,000,000 annually, after deduction for interest, taxes, depreciation, depletion, and so forth.

The income tax is the one tax which, as a rule, can not be passed on to the consumer, while a tariff or sales tax, on the other hand, is paid in full and in even greater measure by the consumer by reason of pyramiding and profiteering.

Mr. Speaker and gentlemen of the House, I personally am in favor of and will support a program of income-tax reduction that will reduce the tax burden of the people of our country, but it must be fair and equal and devoid of favoritism. I will also support legislation in this session of Congress that will be in the interest of the farmers of our country so that they may be placed upon an equal basis with the rest of the business world and enjoy that to which they are justly entitled.

Mr. COLLIER. Mr. Chairman, I yield 20 minutes to the gentleman from New York [Mr. GRIFFIN].

The CHAIRMAN. The gentleman from New York is recognized for 20 minutes.

Mr. GRIFFIN. Mr. Chairman and gentlemen, the gentleman from Massachusetts [Mr. LUCE] is deserving of our gratitude for his able clarification of the proposition that there is not very much of principle in either of the plans. I will concede that, as far as the Republican plan is concerned, but with respect to the Garner plan I wish to say that it has at least one principle underlying its structure, and that is, that no man, however great his income, shall escape a fair share of responsibility in bearing the burdens of his Government.

It is pointed out that you can not tax that which can run away, intimating that the men of swollen fortunes, having incomes in excess of \$100,000 per annum, might do as our German friends have done, Stinness and others, and take their wealth and invest it in other countries. I do not know how this may affect others. I do not see any indication of deep anxiety on anyone's countenance. It gives me no pang to learn that there is a possibility of that being done, because I believe the country would be well rid of every profiteer that is now in it. Let them go. Let them take wings along with their wealth.

NO WAR PROFITS IN TIMES OF PEACE.

The President in his first message to Congress gave utterance to the slogan, "No war taxes in times of peace." An excellent sentiment; but it would have aroused more enthusiasm if he had framed it in accordance with the facts and boldly announced, "No war profits in times of peace."

I do not charge the President or his party with responsibility for the prevalence of profiteering. Greed and avarice know no party. Like certain birds, they lay their eggs in any nest—in yours and in ours. Our duty is to drive them out.

The only objection that I have to the President's slogan is that it implies and emphasizes a solicitude for the big taxpayer, who pays the surtaxes. It so happens, too, that the big taxpayer, who pays the surtaxes, happens to be the profiteer who is keeping up war prices in times of peace.

My solicitude is first of all for the 37,000,000 toilers in this land of ours who have not enough income to be able to make any income-tax returns whatever. In the next place, my sympathy goes out to those whose meager incomes are further depleted by an income tax out of all proportion to the needs of the Nation. How about them, my friends, the great masses of the people who toil and struggle ceaselessly but who are never able to lay enough aside to invest in anything except life insurance? How about them? Upon their backs there falls a tax—an indirect tax—heavier by far and greater in proportion than anything paid by the coupon-cutting fraternity.

THE COST OF GOVERNMENT.

Look at these figures. The cost of government in the United States has reached a staggering figure:

Local taxation	\$2,460,000,000
State taxation	1,126,000,000
Federal taxation	4,903,000,000
Total	8,489,000,000

Assuming that each inhabitant of the United States pays his or her particular share, it means that every man, woman, and child in the country makes a contribution to the support of the Government of \$77 per annum.

But the fact is that this tremendous tax is shifted upon the backs of the ultimate consumers. Who are they? They are the people who do not make any income-tax returns.

Their living is too precarious and their incomes too small to fall within the taxable class. But do not imagine that they are free from taxation. On the contrary, they are the real taxpayers of the Nation; for, in accordance with an economic law as inexorable as the law of gravitation, the accumulated taxes paid by every other class falls ultimately upon the unprotected backs of the consumers. They pay their share and more of the burdens of government in every purchase and in every service they receive. They pay in the form of rent, light and fuel, clothing and household utensils, in their amusements, their transportation, and in the tools or implements of their trade or calling.

There is hardly an item among those mentioned on which the ultimate consumer is not obliged to pay from 50 to 200 per cent more than he had to pay in 1914.

COST OF GOVERNMENT NOT THE ONLY TAX.

But that great increase in the cost of living does not represent or reflect only the \$8,000,000,000 which goes to support the Government. It also insidiously hides \$6,000,000,000 of unreasonable profits exacted by unconscionable profiteers.

This is the real question of the hour: How to restore fair, reasonable prices and how to bring the depreciated American dollar up to its normal purchasing power? This problem seems to have been forgotten by the Secretary of the Treasury and his expert advisers.

Wherein is the great submerged mass of our people to benefit by the Mellon plan? I will show you what it does for them.

The propaganda for the so-called Mellon tax reduction is a hollow mockery. It saves the man with a \$1,000,000 income about \$250,000 and it will save a man with a family of two, who earns an income of \$4,000, just about \$12.75 a year. Now, the effort is made to arouse the small salaried man to a high pitch of ardor over his insignificant share of the relief. Nothing is said, however, about reducing the high cost of living. No suggestion is made that the indirect taxes which are gouged out of the public, not for the benefit of the public, but to enrich the trusts and the profiteers, shall be reduced. No hope is extended that the depreciated American dollar shall be restored to its normal value.

HIGH TARIFF THE ROOT OF THE TROUBLE.

The high tariff is at the root of the trouble. It has thrown a wall about the country to destroy all competition in the necessities of life and the American producers are taking advantage of it to maintain unreasonable and unfair prices.

This amounts to an indirect tax on the consumer, amounting to an average of \$60 per year on every man, woman, and child in the country.

This is a tax that is inescapable. Neither the clerk, the farmer, the mechanic, the professional man, nor the laborer can shift it. They can not escape the burden through tax-exempt securities or by issuing stock dividends. They must carry their burden alone, and there seems to be no cavalier among the press to plead their cause. The whole agitation is a

four-flushing game to delude and cheat the real sufferers from present economic conditions.

Of course, it would be hopeless to expect the Republican Party to make an about-face upon a policy which is so settled in its platform, in its traditions, and in its history. So we are in the situation on this side of the aisle that we have got to take, for the relief of the American people, the best we can get. We do not expect they are going to come in here with a bill to put raw materials upon the free list or to reduce the tremendous burden of taxation due to the tariff. That is hopeless. But we are going to try, so far as we are able, to make those who have been gouging the American people pay back a slight proportion of their ill-gotten gains.

Mr. MURPHY. Will the gentleman yield?

Mr. GRIFFIN. I yield to the gentleman.

Mr. MURPHY. The gentleman has studied this tax bill and all the tax bills, I presume, that are before Congress, and I am just interested to learn what he thinks about the revenue income from any bill that is now before the House and whether it will produce enough to take care of the adjusted compensation for the soldiers.

Mr. GRIFFIN. I do not believe either of them will, to be frank with you. So far as the bill that emanates from your side of the House is concerned, I do not believe it was intended to.

Mr. MURPHY. I thank the gentleman for his frankness. Very few of the Members have been that frank.

THE MELLON PLAN.

Mr. GRIFFIN. It is quite natural that those whom the Mellon plan profits in the way of substantial reductions in their taxes should welcome the proposal. The man whose income is \$25,000 per annum will save about \$1,100 in annual taxation, while those with larger incomes will benefit in an increasing ratio. For instance, the man whose income is four times \$25,000, or \$100,000, per year will save, not four times \$1,100, but over nine times \$1,100 or about \$10,284 per annum. This is the chief difficulty with the Mellon plan. Its proposed reductions are not proportional but are augmented in an ever-increasing ratio as the incomes of the more fortunate ones increase. And that is true all along the line.

To the man of small income the relief accorded by the Mellon plan is either absolutely nil or inconsequential. The man of a modest income of \$4,000 per annum, with a wife and two children to support, will save \$12.75, but the man whose income is two and a half times as much will benefit, not two and a half times the amount of his more humble neighbor, but nineteen times as much. In short, the man with the \$4,000 income is permitted to save \$12.75 per year while the \$10,000 man is presented with \$222 a year.

According to the income-tax returns of 1921, the following returns were made of incomes in excess of \$25,000 per annum:

		Returns.
\$25,000 to \$30,000	-----	10,848
\$30,000 to \$40,000	-----	12,047
\$40,000 to \$50,000	-----	6,051
\$50,000 to \$100,000	-----	8,717
\$100,000 to \$190,000	-----	1,267
\$190,000 to \$200,000	-----	450
\$200,000 to \$290,000	-----	205
\$290,000 to \$300,000	-----	84
\$300,000 to \$400,000	-----	98
\$400,000 to \$1,000,000	-----	127
\$1,000,000 and over	-----	21
Total	-----	39,915

These seem to be the chief beneficiaries of this bill—about 40,000 individuals out of 6,260,327 who filed returns.

This is the fact that stands out conspicuously in this bill—the comparatively few who are going to be materially benefited by its provisions. There are 39,915 people in the United States who render returns showing an income above \$25,000. Those 39,915 people are the ones you intend to help by this bill. They are the chief beneficiaries and they are the "patriots" who are sounding the cymbals and stirring up the propaganda for the "Mellon plan."

Here is a table showing the number of income-tax returns from \$1,000 to \$25,000 per annum:

\$1,000 to \$2,000	-----	2,440,544
\$2,000 to \$3,000	-----	2,222,031
\$3,000 to \$4,000	-----	702,991
\$4,000 to \$5,000	-----	5,365,566
\$5,000 to \$10,000	-----	364,155
\$10,000 to \$19,000	-----	333,247
\$19,000 to \$20,000	-----	80,014
\$20,000 to \$25,000	-----	34,230
Total	-----	829,746
Total	-----	6,195,312

Please note that the bulk of the income-tax payers have between \$1,000 and \$4,000 per year. They number 5,365,566 inhabitants of this fair land. They are the clerk, the mechanic, the teacher, the small tradesman, and the farmer. They are in large measure the ultimate consumer, who has to pay \$60 for a \$30 overcoat or suit of clothes, \$15 for a \$7 ton of coal, 10 cents for a 5-cent loaf of bread, and 16 cents for an 8-cent quart of milk.

"SAVINGS" UNDER THE MELLON PLAN.

The following are the "savings" under the "Mellon plan." Let those who have been writing to me and to others boosting Mellon's plan please note "where they come in":

Incomes of \$1,000,000 will save	-----	\$251,784.00
Incomes of \$500,000 will save	-----	116,784.00
Incomes of \$250,000 will save	-----	49,284.00
Incomes of \$100,000 will save	-----	10,284.00
Incomes of \$50,000 will save	-----	1,944.00
Incomes of \$25,000 will save	-----	1,107.00
Incomes of \$20,000 will save	-----	747.00
Incomes of \$15,000 will save	-----	469.50
Incomes of \$10,000 will save	-----	222.00
Incomes of \$5,000 will save	-----	29.75
Incomes of \$4,000 will save	-----	12.75

It might also be interesting to know that there are a few "rare birds" having an income of \$5,000,000 a year. Those few poor devils will only have a reduction of \$1,500,000 per annum. Surely we all ought to arouse ourselves from our lethargy and fight hard for the Mellon plan to help those poor suffering millionaires. Their plight is pathetic and stirs me to tears!

THE SURTAX.

The excess-profits tax and the surtax were devised to be a check on profiteering, but I have always maintained that to carry out their designed aim they should have been imposed in an increasing ratio as profits increased.

Instead of that, the law has provided for a reduction of the tax ratio as profits were enhanced, thus encouraging profiteering.

That error is continued and emphasized in this bill. For instance, the surtax begins at \$10,000, and the rate is fixed at 1 per cent for each increase of \$2,000 up to \$36,000, then 1 per cent on the next \$4,000 up to \$40,000.

When, however, a man begins to come within the millionaire class the rate of the tax is diminished to 1 per cent for each \$6,000 until it reaches the maximum of 25 per cent on incomes of \$100,000 per annum. Thus, for each \$6,000 of unearned income received by the member of the coupon-cutting fraternity he is only called upon to pay \$60 per annum, while if a man happens to be in the modest class between the \$10,000 and \$36,000 limits he is obliged to pay a \$120 tax per annum for each \$6,000 his income is enhanced.

But when a man comes to be a real profiteer and draws an income in excess of \$100,000 per annum, the hand of the law is released apparently with a benediction—not "Go, brother, and sin no more," but rather "Go, brother, and soak them as hard as you can."

In short, I do not think that the \$6,000 increment added to the income of the millionaire above \$100,000 ought to receive any kinder consideration than the modest \$2,000 increment earned by the man of meager income.

To carry this proposed plan into operation would amount to the exercise by Government of the most unjust and un-American discrimination and partiality.

I would carry the principle of taxation of incomes impartially through all the grades and through every level of the social or economic scale. In no other way can greed and avarice be curtailed and profiteering effectually checked.

We should have no sympathy with a system of taxation that makes invidious and unjust distinctions between classes of taxpayers and practically invites men to struggle for large profits because of the exemptions this vicious law allows and encourages. [Applause.]

In short, each \$6,000 of income above \$100,000 per annum should pay a tax on each \$2,000 increment the same as incomes between \$10,000 and \$36,000.

Mr. COLLIER. Mr. Chairman, I yield to the gentleman from Washington [Mr. HILL].

Mr. HILL of Washington. Mr. Chairman, to the question of tax revision downward the country is alive and thoroughly aroused. Every taxpayer in the United States favors a reduction of taxes. The greatest tax burden imposed by the Federal Government is that of the unconscionably high tariff rates, which exact from the people about \$4,000,000,000 a year, but of which amount a small percentage, or about 10 cents of every dollar so exacted, goes into the Federal Treasury and the balance thereof goes into the pockets of the tariff beneficiaries.

The tariff burden is incomparably greater than that of the tax on incomes. The tariff tax is invariably passed to and paid by the consumer and is essentially a consumption tax. Everyone admits that a tax on net income is less capable of being passed on than any other tax except an inheritance tax.

The tax on incomes was authorized by the adoption of an amendment to the Constitution after the Supreme Court had held such a tax invalid. It was the common people and not the millionaires who sponsored and forced the adoption of the income tax amendment. The millionaires have never favored and are not now friendly to this form of taxation, for the very obvious reason that it forces them to pay a tax which they find difficult, if not impossible, to pass on to some one else.

The revenue measure now being considered by Congress and known as the Mellon plan has nothing to do with the tariff or any relief from the staggering burden which the tariff imposes, but the Mellon plan is concerned mainly with the reduction of the income tax, and its primary feature is the proposed reduction of the tax on the incomes of millionaires.

Mr. Mellon, the Secretary of the Treasury, is a multimillionaire and one of the wealthiest men of the country. It is apparent that he is the big man in the present administration and dominates in the matter of its financial policy. It was largely through his influence that the last Congress repealed the excess-profits tax and reduced the maximum surtax rate from 65 per cent to 50 per cent, whereby great wealth was relieved of taxes to the extent of about one-half billion of dollars a year. It was sought at that time to reduce the maximum surtax rate to 32 per cent instead of 50 per cent, and now Mr. Mellon, in the interest of himself and other recipients of large incomes, is seeking to cut the surtax rate in the middle and reduce the maximum surtax rate from 50 per cent to 25 per cent. This plan would reduce the normal tax rate only 25 per cent. Under the Mellon plan incomes under \$10,000 would pay no surtax, but such incomes in excess of \$1,000 for single person and \$2,000 for married person without dependents would pay normal tax only. About 97 per cent of the income-tax payers have incomes less than \$10,000 and under the Mellon plan would receive a reduction of only 25 per cent on their income taxes, while under the same plan the other 3 per cent of income-tax payers would receive a reduction of 25 per cent on their normal tax and the additional reduction of 50 per cent in their surtax.

In other words, the 3 per cent of income-tax payers whose incomes are above \$10,000 a year would have a 50 per cent cut in surtax as against a 25 per cent cut in normal tax. It is readily seen that the Mellon plan is designed principally and primarily to relieve the tax burden on large incomes. But, through widespread and persistent propaganda instigated and effected in the interest of those receiving large incomes, it has been sought to force the country to believe that the Mellon plan is the only plan for tax reduction, and that if the Mellon plan should be rejected or modified, that there could be no tax reduction. This is not true. There are two other plans offered. One by Mr. FREAR, a Republican, who says that "the recommended Mellon cut rates adopted by the committee give 25 per cent normal tax reduction to those most in need of relief and 50 per cent surtax reduction to less than 3 per cent of the total number of income-tax payers, or a 50 per cent reduction is given to those best able to pay and only 25 per cent to the great mass of the people." Mr. FREAR's plan proposes a 50 per cent normal tax cut and no surtax cut.

The operation of Mr. FREAR's plan is plainly set forth in his statement of his views published in the report of the Committee on Ways and Means on the pending revenue bill, in the following language:

The substitute plan I have proposed gives a 50 per cent tax cut to about 97 per cent of the millions of taxpayers, with a nominal tax cut to the remaining 3 per cent, who are owners of high incomes, whereas the Mellon plan, reported by the committee, gives only a 25 per cent tax cut to the millions of small taxpayers and a 50 per cent cut to the remaining wealthy, less than 3 per cent. In other words, the substitute is a simple practical tax cut for the great majority of needy people compared to the scientific Mellon plan that is of doubtful parentage and fashioned to relieve doubly those best able to pay.

The proposed cut of 50 per cent in present normal tax rates I proposed would release from taxes nearly \$200,000,000 annually. This proposal would help business by enabling several million small taxpayers to increase their purchases of the necessities of life practically to that extent. On the other hand, release of a limited amount of capital to a comparatively small group of wealthy taxpayers by the 50 per cent surtax reduction urged by Secretary Mellon's bill is of little, if any, business importance or public benefit.

Mr. FREAR's plan would unquestionably operate to reduce taxes and such reduction would be in the interest of the great masses of the people who are most in need of relief from heavy tax burdens.

The other proposal for the reduction of taxes is the Democratic (Garner) plan. By this plan, it is proposed, first, to raise the amount of the tax-exempt income limit as follows: From \$1,000 to \$2,000 for single men and from \$2,000 to \$3,000 for married men; second, to raise the minimum amount of income on which surtax shall be collected from \$10,000 to \$12,000; third, to make the normal tax as follows: 2 per cent on net income up to \$5,000; 4 per cent on amount the net income exceeds \$5,000, and does not exceed \$8,000; and 6 per cent on amount of net income over \$8,000; fourth, to reduce the maximum surtax rate from 50 per cent to 44 per cent with the surtax graduated from 1 per cent beginning with net income of \$12,000 to 44 per cent on net income of \$92,000 and over; fifth, the revision of tax on estates of decedents with provision for a gift tax to protect such source of revenue to the Treasury.

The following excerpt taken from the Democratic minority statement published in the report of the Committee on Ways and Means on the pending revenue bill furnishes a succinct and general comparison of the practical operative effects of the Mellon plan and the Democratic plan:

The rates in the proposed bill give a greater reduction to those persons with large incomes than those of smaller incomes, whereas under the rates we will offer a greater reduction is given to those with small incomes than to those with large incomes. These are the essential and irreconcilable differences of the two plans.

This difference in principle of the two plans is well illustrated when under the proposed bill, according to the Treasury estimates, the taxes of 21 income-tax payers will be reduced \$11,500,000 per annum, and that of 1,000,000 income-tax payers in the lower brackets will be reduced less than \$4,000,000 per annum. To put it another way, the proposed (Mellon) rates will reduce the taxes of 21 income-tax payers three times as much as it will reduce the taxes of 1,000,000 income-tax payers, whereas under the Democratic plan we reduce the taxes of the 21 income-tax payers, in round numbers, \$6,000,000 and relieve entirely from income taxation more than 1,000,000 of the small income-tax payers. The proposed Mellon bill is drawn for the purpose of giving principal relief to the large taxpayer, and our plan is based upon giving relief to all income-tax payers, but the larger percentage of relief to the small taxpayer.

The Democratic plan would also operate to reduce taxes, and such reduction would primarily be in the interest of the great masses of the people who need the relief. The Democratic plan goes further than the Mellon plan in the matter of the repeal of excise and so-called nuisance taxes.

Both the Frear plan and the Democratic plan would bring reduction of taxes and relieve the tax burdens where they weigh heaviest. The propagandists for the Mellon bill do not call the attention of the country to either of these plans, but on the other hand seek to create the impression that tax reduction must come through the enactment into law of the Mellon plan or not at all.

The people will not be swept off their feet by the wealth-inspired propaganda for the Mellon plan. They know that Mr. Mellon and his millionaire associates are not now, and have never been, enamored of legislation compelling the payment of tax on income, and especially a progressive tax on income under which a surtax in addition to a normal tax is imposed on large incomes. The voters of this country are awakening to the fact that if the common people are to retain their political and economic freedom, they must dictate the privileges, obligations, and burdens of government under which they shall live. They are entitled to a fair and just distribution of the tax burden. The Mellon plan does not effect this. Either the Democratic or Frear plan more nearly effects the desired purpose.

I shall vote for the Frear plan, in so far as it opposes reduction of surtax rates and with this exception, I shall favor the Democratic plan.

I desire to further extend my remarks by appending hereto the following tables compiled by the Democratic members of the Ways and Means Committee and published in their statement in the report of said committee on the pending revenue bill:

Democratic surtax rates.	
Per cent:	
1.....	\$12,000-\$14,000
2.....	14,000-16,000
3.....	16,000-18,000
4.....	18,000-20,000
5.....	20,000-22,000
6.....	22,000-24,000
7.....	24,000-26,000

Democratic surtax rates—Continued.

Per cent:

8.	\$26,000—\$28,000
9.	28,000—30,000
10.	30,000—32,000
11.	32,000—34,000
12.	34,000—36,000
13.	36,000—38,000
14.	38,000—40,000
15.	40,000—42,000
16.	42,000—44,000
17.	44,000—46,000
18.	46,000—48,000
19.	48,000—50,000
20.	50,000—52,000
21.	52,000—54,000
22.	54,000—56,000
23.	56,000—58,000
24.	58,000—60,000
25.	60,000—62,000
26.	62,000—64,000
27.	64,000—66,000
28.	66,000—68,000
29.	68,000—70,000
30.	70,000—72,000
31.	72,000—74,000
32.	74,000—76,000
33.	76,000—78,000
34.	78,000—80,000
35.	80,000—82,000
36.	82,000—84,000
37.	84,000—86,000
38.	86,000—88,000
39.	88,000—90,000
40.	90,000—92,000
41.	92,000 and over.

The following tables, which are based upon calculations made by the Treasury Department, will illustrate the difference in the rates contained in the bill reported and the rates that will be offered by the Democrats during the consideration of the bill in the House:

Comparative table showing the total tax payable by a married person without dependents under the rates of the present law and under the suggested rates of the Mellon and Democratic plans and the amount and percentage of reduction under the above plans (basis of unearned income).

Income.	Present law tax.	Mellon plan tax.	Dollars reduction.	Percent-age reduction.	Democrat-ic plan tax.	Dollars reduction.	Percent-age reduction.
\$1,000							
2,000							
3,000	\$20	\$15	\$5	25.00			
4,000	40	30	10	25.00			
5,000	60	45	15	25.00			
6,000	80	60	20	25.00			
7,000	100	75	25	25.00			
8,000	120	90	30	25.00			
9,000	140	105	35	25.00			
10,000	160	120	40	25.00			
11,000	180	135	45	25.00			
12,000	200	150	50	25.00			
13,000	220	165	55	25.00			
14,000	240	180	60	25.00			
15,000	260	195	65	25.00			
16,000	280	210	70	25.00			
17,000	300	225	75	25.00			
18,000	320	240	80	25.00			
19,000	340	255	85	25.00			
20,000	360	270	90	25.00			
21,000	380	285	95	25.00			
22,000	400	300	100	25.00			
23,000	420	315	105	25.00			
24,000	440	330	110	25.00			
25,000	460	345	115	25.00			
26,000	480	360	120	25.00			
27,000	500	375	125	25.00			
28,000	520	390	130	25.00			
29,000	540	405	135	25.00			
30,000	560	420	140	25.00			
31,000	580	435	145	25.00			
32,000	600	450	150	25.00			
33,000	620	465	155	25.00			
34,000	640	480	160	25.00			
35,000	660	495	165	25.00			
36,000	680	510	170	25.00			
37,000	700	525	175	25.00			
38,000	720	540	180	25.00			
39,000	740	555	185	25.00			
40,000	760	570	190	25.00			
41,000	780	585	195	25.00			
42,000	800	600	200	25.00			
43,000	820	615	205	25.00			
44,000	840	630	210	25.00			
45,000	860	645	215	25.00			
46,000	880	660	220	25.00			
47,000	900	675	225	25.00			
48,000	920	690	230	25.00			
49,000	940	705	235	25.00			
50,000	960	720	240	25.00			
51,000	980	735	245	25.00			
52,000	1,000	750	250	25.00			
53,000	1,020	765	255	25.00			

Comparative table showing the total tax payable by a married person without dependents, etc.—Continued.

Income.	Present law tax.	Mellon plan tax.	Dollars reduction.	Percent-age reduction.	Democrat-ic plan tax.	Dollars reduction.	Percent-age reduction.
\$54,000	\$9,900	\$7,580	\$2,320	23.43	\$7,540	\$2,360	23.84
55,000	10,230	7,810	2,420	23.65	7,820	2,410	23.56
56,000	10,560	8,040	2,520	23.86	8,100	2,460	23.30
57,000	10,900	8,270	2,630	24.12	8,300	2,510	23.03
58,000	11,240	8,500	2,740	24.37	8,600	2,560	22.78
59,000	11,580	8,740	2,850	24.59	8,800	2,610	22.53
60,000	11,940	8,980	2,960	24.79	9,200	2,660	22.28
61,000	12,300	9,220	3,080	25.04	9,500	2,710	22.03
62,000	12,660	9,460	3,200	25.28	9,910	2,750	21.72
63,000	13,030	9,700	3,330	25.55	10,240	2,790	21.41
64,000	13,400	9,940	3,460	25.82	10,580	2,830	21.04
65,000	13,780	10,190	3,590	26.05	10,930	2,850	20.68
66,000	14,160	10,440	3,720	26.27	11,290	2,870	20.27
67,000	14,550	10,690	3,860	26.53	11,660	2,890	19.85
68,000	14,940	10,940	4,000	26.77	12,030	2,910	19.48
69,000	15,340	11,190	4,150	27.05	12,410	2,930	19.10
70,000	15,740	11,440	4,300	27.31	12,790	2,950	18.74
71,000	16,150	11,700	4,450	27.55	13,180	2,970	18.39
72,000	16,560	11,960	4,600	27.78	13,570	2,990	18.04
73,000	16,980	12,220	4,760	28.03	13,970	3,010	17.73
74,000	17,400	12,480	4,920	28.28	14,370	3,030	17.41
75,000	17,830	12,740	5,090	28.55	14,780	3,050	17.11
76,000	18,260	13,000	5,260	28.81	15,190	3,070	16.81
77,000	18,700	13,270	5,430	29.04	15,610	3,090	16.52
78,000	19,140	13,540	5,600	29.26	16,030	3,110	16.25
79,000	19,590	13,810	5,780	29.50	16,460	3,130	15.98
80,000	20,040	14,080	5,960	29.74	16,890	3,150	15.71
81,000	20,500	14,350	6,150	30.00	17,330	3,170	15.46
82,000	20,960	14,620	6,340	30.25	17,770	3,190	15.22
83,000	21,430	14,900	6,530	30.47	18,220	3,210	14.98
84,000	21,900	15,180	6,720	30.68	18,670	3,230	14.75
85,000	22,380	15,460	6,920	30.92	19,130	3,250	14.52
86,000	22,860	15,740	7,120	31.15	19,590	3,270	14.30
87,000	23,350	16,020	7,330	31.39	20,060	3,290	14.09
88,000	23,840	16,300	7,540	31.63	20,530	3,310	13.89
89,000	24,340	16,580	7,760	31.84	21,010	3,330	13.68
90,000	24,840	16,860	7,980	32.04	21,490	3,350	13.49
91,000	25,350	17,150	8,200	32.27	21,980	3,370	13.29
92,000	25,860	17,440	8,420	32.48	22,470	3,390	13.11
93,000	26,380	17,730	8,650	32.71	22,970	3,410	12.93
94,000	26,900	18,040	8,860	32.94	23,470	3,430	12.75
95,000	27,430	18,340	9,090	33.14	23,970	3,450	12.61
96,000	27,960	18,640	9,320	33.33	24,470	3,470	12.48
97,000	28,500	18,940	9,560	33.54	24,970	3,490	12.39
98,000	29,040	19,240	9,800	33.74	25,470	3,510	12.29
99,000	29,590	19,540	10,050	33.97	25,970	3,530	12.23
100,000	30,140	19,840	10,300	34.17	26,470	3,570	12.18

The following table gives a comparative estimate of the effect on the revenue of the proposed changes in the individual income tax law under the rates in the proposed (Mellon) bill, as also under the rates to be offered by the minority during the consideration of the bill in the House. These estimates were prepared by the Treasury Department and are as follows:

Estimated effect upon the revenue of the proposed changes in the individual income tax law upon the base of 1921 returns.

DEMOCRATIC PLAN.

Income-tax brackets	Number paying tax in each bracket.	Loss in tax as compared with 1921 returns.	
		Normal tax (loss).	Surtax (loss).
Under \$5,000	1,138,626	\$135,881,730	\$29,074,177
\$5,000 to \$10,000	494,512	31,917,612	40,934,915
\$10,000 to \$20,000	172,359	3,250,059	31,041,554
\$20,000 to \$50,000	58,115	4,163,826	6,479,935
\$50,000 to \$100,000	11,069	5,322,532	6,284,579
\$100,000 to \$150,000	2,332	1,926,294	4,402,206
\$150,000 to \$200,000	985	705,252	5,630,005
\$200,000 to \$500,000	535	805,519	5,613,084
\$500,000 to \$1,000,000	246	1,270,491	4,396,080
Over \$1,000,000	84	544,445	5,966,654
Total loss	21	186,257,386	139,833,195

MELLON PLAN.

Income-tax brackets	Number paying tax in each bracket.	Loss in tax as compared with 1921 returns.	
		Normal tax (loss).	Surtax (loss).
Under \$5,000	3,589,985	\$50,172,577	\$29,074,177
\$5,000 to \$10,000	525,606	15,435,300	31,001,187
\$10,000 to \$20,000	172,359	1,750,702	30,497,417
\$20,000 to \$50,000	58,115	2,278,141	34,423,112
\$50,000 to \$100,000	11,069	4,366,853	20,539,199
\$100,000 to \$150,000	2,332	1,292,083	11,372,464
\$150,000 to \$200,000	985	540,163	12,359,386
\$200,000 to \$500,000	535	430,510	11,226,168
\$500,000 to \$1,000,000	246	350,990	8,494,396
Over \$1,000,000	84	272,572	11,364,807
Total loss	21	77,014,854	200,352,243

The following table shows how the income rates in the proposed bill affect individuals in the various States of the Union in comparison with the rates to be offered by the Democrats during consideration of the same in the House:

BENEFICIARIES OF THE DEMOCRATIC TAX-REDUCTION PLAN AND OF THE MELLON PLAN BY STATES (COMPARATIVE TABLE).

The following table of the number of persons making income-tax returns in 1921 is compiled from the official figures of the Treasury Department contained in the annual report of the Commissioner of Internal Revenue for 1921.

It shows the total number of persons making income-tax returns in each State, and the number benefited more by the Democratic (Garner) plan than by the Mellon plan, and the number benefited more by the Mellon plan than by the Democratic (Garner) plan in each State. The totals show—

Democratic plan gives greater benefits than the Mellon plan to 6,641,262.

The Mellon plan gives greater benefits than the Democratic plan to 9,433.

Income-tax returns by States.

State.	Total number making income-tax returns.	Number benefited more by Mellon plan.	Number benefited more by Democratic (Garner) plan.
Alabama.....	43,009	35	42,974
Arizona.....	18,477	1	18,476
Arkansas.....	33,830	10	33,820
California.....	386,082	435	385,647
Colorado.....	69,676	40	69,636
Connecticut.....	123,269	173	123,096
Delaware.....	15,889	17	15,872
District of Columbia.....	89,966	102	89,864
Florida.....	42,249	28	42,221
Georgia.....	67,719	48	67,671
Idaho.....	22,976	3	22,973
Illinois.....	611,553	857	610,701
Indiana.....	150,300	86	150,214
Iowa.....	111,483	42	111,441
Kansas.....	88,785	16	88,769
Kentucky.....	69,493	45	69,448
Louisiana.....	67,960	50	67,910
Maine.....	44,355	42	44,313
Maryland.....	112,963	176	112,787
Massachusetts.....	388,442	749	387,693
Michigan.....	250,147	264	249,883
Minnesota.....	124,501	131	124,370
Mississippi.....	25,614	9	25,605
Missouri.....	172,519	169	172,350
Montana.....	36,907	5	36,902
Nebraska.....	71,833	22	71,811
Nevada.....	9,719	3	9,716
New Hampshire.....	32,410	24	32,386
New Jersey.....	269,096	404	268,692
New Mexico.....	11,777	3	11,774
New York.....	1,066,637	3,031	1,063,606
North Carolina.....	44,161	52	44,109
North Dakota.....	18,440	2	18,438
Ohio.....	367,066	539	366,527
Oklahoma.....	69,381	32	69,349
Oregon.....	62,804	28	62,776
Pennsylvania.....	621,103	1,218	619,885
Rhode Island.....	48,057	138	47,919
South Carolina.....	25,160	11	25,149
South Dakota.....	21,681	1	21,680
Tennessee.....	60,949	31	60,918
Texas.....	200,188	104	200,084
Utah.....	26,128	4	26,124
Vermont.....	17,746	14	17,732
Virginia.....	76,257	32	76,225
Washington.....	115,688	30	115,658
West Virginia.....	75,277	63	75,214
Wisconsin.....	148,457	108	148,349
Wyoming.....	22,413	6	22,407
Total.....	6,650,695	9,433	6,641,262

* Includes Alaska.

Mr. COLLIER. Mr. Chairman, I yield to the gentleman from Maryland [Mr. LINTHICUM] such time as he may desire.

Mr. LINTHICUM. Mr. Chairman, I announced through the press when tax reduction was first brought to the attention of the public that I was heartily in favor of a very substantial tax reduction and would favor that which gave the greatest relief to the small taxpayer and yet a substantial relief to the large taxpayer. I have given both the Mellon, or Republican, plan and the Garner, or Democratic, plan very serious consideration, have listened to the debates on the floor of this House, have read considerable of the hearings, and am convinced that the Democratic plan best meets my views in that it gives the greatest relief to those who need it most.

Why should not the small taxpayer receive the greater relief as is provided under the Democratic plan. He has just suffi-

cient to maintain and educate his family and is seldom able to lay aside any surplus. Besides, he is already paying just as great taxes in the way of tariff taxes as does the rich man though he is hardly able to do so by reason of the high cost of everything occasioned by the Fordney-McCumber high tariff bill. The truth is these taxes which we are reducing apply only to those who have sufficient to pay an income tax, but the little fellow who has not sufficient to compel him to pay an income tax is receiving no relief, because the high tariff bill is not being considered and no relief therefrom is afforded, and yet this very Fordney-McCumber bill is taxing the people of our country, both rich and poor alike, to the tune of \$3,000,000,000 each year and on sugar alone in the sum of \$200,000,000. A revision of this tax would occasion relief not only to those able to pay an income tax but to the little fellow upon whom it bears so harshly.

As has been well said in the minority views of the report—

The minority are of opinion that the smaller taxpayers should for the present have their exemptions raised from \$1,000 and \$2,000 to \$2,000 and \$3,000, respectively, according to whether a taxpayer is a single person or the head of a family or married. This view is based upon the facts that during the past few years State and local taxes have been doubled and trebled, and that under our general property tax laws in the States the medium and smaller property owners have little intangible property, with the result that their tangible property is exposed to tax assessors and assessed for taxes in a far greater proportion than the property of larger owners, the intangible portion of which is chiefly concealed, and so evades most State and local taxation.

The second ground is that the present unusually high tariff law which has resulted in notoriously high prices as to many or most staple articles of common use falls most heavily on those same smaller income-tax payers, while a large class of the big taxpayers receive those special tariff benefits and other special governmental benefits.

Returning to the bill before us, I find that in the State of Maryland where 112,787 persons make tax returns, all taxpayers thereunder receive greater relief under the Democratic plan with the exception of 176 of the rich who receive greater relief under the Mellon plan. Astounding as it may sound, out of 6,650,695 persons making returns in the whole country all taxpayers receive greater relief under the Democratic plan than under the Mellon plan with the exception of 9,433 who have very large incomes and receive greater relief under the Mellon plan. As an illustration of this, I insert the following table:

Income-tax returns by States.

State.	Total number making income-tax returns.	Number benefited more by Mellon plan.	Number benefited more by Democratic (Garner) plan.
Alabama.....	43,009	35	42,974
Arizona.....	18,477	1	18,476
Arkansas.....	33,830	10	33,820
California.....	386,082	435	385,647
Colorado.....	69,676	40	69,636
Connecticut.....	123,269	173	123,096
Delaware.....	15,889	17	15,872
District of Columbia.....	89,966	102	89,864
Florida.....	42,249	28	42,221
Georgia.....	67,719	48	67,671
Idaho.....	22,976	3	22,973
Illinois.....	611,553	857	610,701
Indiana.....	150,300	86	150,214
Iowa.....	111,483	42	111,441
Kansas.....	88,785	16	88,769
Kentucky.....	69,493	45	69,448
Louisiana.....	67,960	50	67,910
Maine.....	44,355	42	44,313
Maryland.....	112,963	176	112,787
Massachusetts.....	388,442	749	387,693
Michigan.....	250,147	264	249,883
Minnesota.....	124,501	131	124,370
Mississippi.....	25,614	9	25,605
Missouri.....	172,519	169	172,350
Montana.....	36,907	5	36,902
Nebraska.....	71,833	22	71,811
Nevada.....	9,719	3	9,716
New Hampshire.....	32,410	24	32,386
New Jersey.....	269,096	404	268,692
New Mexico.....	11,777	3	11,774
New York.....	1,066,637	3,031	1,063,606
North Carolina.....	44,161	52	44,109
North Dakota.....	18,440	2	18,438
Ohio.....	367,066	539	366,527
Oklahoma.....	69,381	32	69,349
Oregon.....	62,804	28	62,776
Pennsylvania.....	621,103	1,218	619,885
Rhode Island.....	48,057	138	47,919
South Carolina.....	25,160	11	25,149

Income-tax returns by States—Continued.

State.	Total number making income-tax returns.	Number benefited more by Mellon plan.	Number benefited more by Democratic (Garner) plan.
South Dakota.....	21,681	1	21,680
Tennessee.....	60,949	31	60,918
Texas.....	200,188	104	200,084
Utah.....	26,128	4	26,124
Vermont.....	17,746	14	17,732
Virginia.....	76,257	32	76,225
Washington.....	115,688	30	115,658
West Virginia.....	75,277	63	75,214
Wisconsin.....	148,457	108	148,349
Wyoming.....	22,413	6	22,407
Total.....	6,650,695	9,443	6,641,262

¹Includes Alaska.

Under the Mellon plan the man with an income of \$5,000 receives a reduction of 25 per cent, while the man with an income of \$200,000 receives 39.12 per cent, whereas under the Democratic plan the man with \$5,000 income would receive a reduction of 60 per cent, while the man with \$200,000 income would receive 11.78 per cent reduction. I mention these items because as the bill is systematized this reduction will be proportionate in all incomes. Again, a person with a million-dollar income would under the Mellon plan receive a reduction of \$251,784, while 200 heads of families, each having an income of \$5,000, total \$1,000,000, would receive a reduction of \$5,950, and 400 heads of families with incomes of \$2,500 each, total \$1,000,000, would receive no reduction.

As further explanation of these reductions under the different plans, I insert the following table:

Table showing comparative tax and per cent of reductions under the Mellon plan and the Democratic plan as compared with existing law.

Income.	Amount of tax under—			Per cent reduction under—	
	Present law.	Mellon plan.	Democratic plan.	Mellon plan.	Democratic plan.
				Per cent.	Per cent.
\$5,000.....	\$100.00	\$75.00	\$40.00	25.00	60.00
\$10,000.....	520.00	360.00	240.00	30.76	53.84
\$20,000.....	1,720.00	1,260.00	1,040.00	26.74	39.53
\$30,000.....	3,520.00	2,660.00	2,340.00	24.43	30.68
\$40,000.....	5,840.00	4,540.00	4,140.00	22.26	29.10
\$50,000.....	8,640.00	6,680.00	6,440.00	22.68	25.46
\$60,000.....	11,940.00	8,980.00	9,240.00	24.79	22.61
\$70,000.....	15,740.00	11,640.00	12,750.00	26.04	18.99
\$80,000.....	20,040.00	14,080.00	16,850.00	29.74	15.91
\$90,000.....	24,840.00	16,880.00	21,450.00	32.04	13.64
\$100,000.....	30,140.00	19,940.00	26,430.00	33.84	12.30
\$200,000.....	88,640.00	52,740.00	76,430.00	39.12	11.78

When we realize that less than two years ago there was a revision of the revenue act, at which time the excess-profits tax was stricken from the tax list, which action alone relieved the big interests of a tax burden of \$450,000,000; in fact, it relieved all interests, but I mention the big interests particularly, because they paid almost the whole of that tax. In the same act a reduction in the surtax was made from 65 per cent to 50 per cent, which amounted to a reduction of \$90,000,000, or a total of \$540,000,000, and in this Democratic plan we are further reducing the maximum surtax from 50 per cent to 44 per cent, or a total reduction in surtax of 21 per cent in less than two years. Has not the big taxpayer had his share of reduction and is it not high time that the little taxpayer should be favored?

It is well to remember that during the war the large corporations of the country, according to the record, profited to the extent of some \$30,000,000,000 after paying excess-profits tax, and about \$19,000,000 of which was made by 1,000 corporations, in many of which it is said that Mr. Mellon dominates. Ah, but say the Mellonites, this Democratic plan will create a deficiency in 1927 of \$300,000,000, but it is generally agreed that during 1924 the Democratic plan will produce about \$100,000,000 more than the Mellon plan. Certainly no one can determine what will take place in 1927. It will all depend upon the state of prosperity in the country; besides, it was this same Treasury Department which in 1923 in order to defeat the bonus said there would be a deficit for that year of \$300,000,000, while it is now shown that instead of there

being a deficit there is a surplus of \$320,000,000—a slight difference of \$20,000,000 in estimating.

Senator COUZENS, of Michigan, in his speech on the Senate floor January 21, 1924, said:

More dishonest statements, misstatements, if not absolute falsehoods, have been handed out at the Treasury Department of the United States for the purpose of misleading the public than ever were issued by a public department in my recollection of Government.

If, however, it should become apparent there would be a deficiency in 1927, certainly it will be within the province of Congress to make such slight revision as may be necessary to provide against such contingency. The Democratic plan relieves a million people who now make returns but pay no taxes because of deductions from the necessity of making these returns, thereby saving the expense of hundreds of job holders from the enormous work of examining these returns from which no revenue is received.

I am quite satisfied that if the Democratic plan is adopted it will so relieve the burden of taxation, which to-day rests so heavily upon the small taxpayer, and will largely relieve the big taxpayer, that it will be reflected in the increased prosperity and progress of the country, and I sincerely hope will reduce the cost of living. This Democratic plan is my preference and I shall strive strenuously for its adoption; but if it should fail, I am still for tax reduction under such plan as will give relief to the greatest number and thereby lift somewhat the burden of taxation from the shoulders of our people. [Applause.]

The CHAIRMAN. The Chair will state that the division of time is as follows: The gentleman from Iowa [Mr. GREEN] has 22 minutes and the gentleman from Mississippi [Mr. COLLIER] has 13 minutes.

Mr. COLLIER. Mr. Chairman, I yield eight minutes to the gentleman from Minnesota [Mr. WEFALD].

Mr. WEFALD. Mr. Chairman, I hold the unique distinction of not being a member of either one of the two major parties in this body. I asked for permission to speak at this time because my name was mentioned on Saturday. A discussion was raging on this floor between the Democratic Party and the Republican Party as to which party had been playing their cards mostly in the open. The Republicans were taunting the Democrats with the fact that the Democratic Party had caucused upon this very important proposition that is now before the House. The genial gentleman from Texas [Mr. BLANTON] called attention to the fact that while the Democrats had caucused upon this proposition, it had been in the open, and then he went so far as to say that the doors had not been locked. The gentleman from Texas cited myself as Exhibit No. 1 to prove his contention that there was nothing secret about the Democratic caucus, and he said in that connection that I had been denied the privilege of sitting and listening in on the Republican caucus. I speak now because all of you have spoken more or less for home consumption, and I shall have to say just a word or two with that end in view. [Laughter and applause.]

I am not tied to either the Republican plan or the Democratic plan. I am here to cast my vote for such a plan as I conceive will be for the greatest benefit to the American people and, if I can, cast my vote so that we can do justice to the ex-service man whom both major parties, and in fact all political parties in this land, have promised they are going to do justice to. I did sit and listen in on the Democratic caucus. I did not ask permission. I was invited to see the inner workings of the party machinery. I did not take part in their discussion, and I am certainly not bound. I perhaps could have listened in on the Republican caucus, but I would have been in the position that Peer Gynt was when he came to the hall of the mountain king. When he looked upon everything around him it did not look to him as it looked to the rest of them; but the mountain king came to him and said, "I am going to perform just a slight operation on your eye, and when that operation is performed you will see things the same way that we see them." I take it that all of you gentlemen here are familiar with Peer Gynt. If you are not, I ask that you make yourselves familiar with that great drama.

I was afraid that the Democrats would want to slit my eye so I would see things as they do, but they were kind and courteous and never imposed a single condition but that I should enjoy myself. And I did enjoy it. It seemed a great council of war, harmonious and dignified.

There is no mountain king slit in my eye, and I do not look upon the Mellon plan as the Republicans do. Neither have I the Democratic slit in my eye, and I do not look upon their plan as they do. The gentleman from Texas in calling atten-

tion to the fact that I was at the Democratic caucus took occasion to say that my politics were not his politics. Then with a very graceful flourish of his hand he waved toward the gentleman from Wisconsin [Mr. BERGER] and he said, "When it comes to choosing between different brands of socialism, I want the real article for myself." [Laughter.] Well, he is entitled to that. I want to say right here that I do not know if I am a Socialist. I think I am an old-fashioned Lincoln Republican. If I am not an old-fashioned Lincoln Republican, I am a William Jennings Bryan Democrat. [Laughter.] And if I am not that, if I am going to say that I am up to date, I am a La Follette Republican, and that comes as near the Farmer-Labor Party of Minnesota as anyone can come. That I am proud of.

Now, I have worked out a good speech here, but I am not going to be able to give you the benefit of the whole speech. I am going to read such portions of it as I am able to read in the time allotted to me. But upon this question of the Democrats having a caucus and the Republicans not having a caucus, I want to discuss that for a brief moment.

The Democrats are in a strategic position; on the vote on the revenue bill now before us more than on any other vote cast in this session will depend the winning of the next election, if they win it. On this matter they caucused, and wisely so. I know of no important battle of modern times when the successful general did not call his council of war together for discussion before he went into it. If this bill is lost for the Republicans, it is not Chairman GREEN's fault; it is not the Republicans in the progressive group that will have the blame for it. I know, because I know what the insurgent Republicans were willing to sacrifice for the sake of saving the Republican Party.

They were willing to accept a compromise of 40 per cent on the surtaxes, the normal taxes cut 50 per cent; even my independent colleague from Minnesota and myself were at the time the propositions were discussed willing to support that. With us two it was not a question of saving the Republican Party, but it was showing our respect for and our faith in the Republican members of that staunch little band of patriots known as insurgents that has had to endure the jibes of both regular Republicans and regular Democrats, but which, nevertheless, is writing the history of this very important session of the House of Representatives.

These men are not fools. They knew there was some risk connected with agreeing to standing for a rate of 40 per cent surtax after having proposed a rate of 50 per cent and the Democratic rate standing between the two rates. I knew that there was some risk in agreeing to such a compromise for myself, but I full well knew how much one lone warrior can expect to accomplish. Even Hector could not capture Troy alone. I felt I owed much to these insurgent Republicans who opened the doors of their council hall for me and gave me a home of refuge when I might otherwise have perished on the burning sands of the desert that separates the Republican and Democratic Parties.

But now the time for compromise is past. Mr. FREAR can not alter what he said the other day in that splendid tax speech and Mr. NELSON can not stultify that splendid leadership he has hitherto shown by capitulating now.

In order to win, the regular Republicans must capture the insurgent citadel. I predict that that will be a siege like the siege of Troy. I am sure that they can not do it with the wooden horse they are now building. We are not going to pull it inside our fortifications, for we have no way of knowing what is inside of it. The old guard is building a wooden horse of a compromise, some say 32, 35, or 37½ per cent surtax, but we do not even know what that will bring. The schedules can be arranged so that 37½ per cent would be better yet for the forces that have written the Mellon plan than would the present plan of 25 per cent.

The strategy and the whole campaign for the Mellon plan looks as if it has been mapped out by sophomores in high schools. In fact, the Whole Republican policy savors much of this. What sense is there, for instance, in saying that we do not believe in paying war taxes in times of peace, when the war saddled on us the enormous debt load, and we have not yet begun to settle the debt of honor we owe the men who fought the war, when profiteering is worse now than in the days of the war?

What sense is there in demanding that tax-exempt securities be done away with, in order that money may be released to go into productive channels of business, when there is more money in the country than can be profitably employed, when a foreign loan like the Japanese is nearly doubly subscribed in a week? Who else would undertake to say that 25 is more than 44 or 50?

Freshmen in high school would not do such a foolish thing; only sophisticated sophomores, acting without the class adviser, would undertake to make the freshmen say that 25 equals 44 or 50, or make them wear the green caps that we are promised we will have to wear should we not fall in line.

If the Republican Members in this House have not caucused, as the distinguished floor leader so vehemently asserts that they have not done, they are indeed in a poor shape to go into a winning fight on this very important proposition.

And we have hanging over us a threat of a presidential veto if any other plan than the Mellon plan is enacted into law by Congress.

Some one here in the House, high in the councils of the Republican Party, will soon have to make a sad journey to the White House and the Treasury building and report with downcast head that they finally did lead the horse to water but that they could not make it drink.

When, on Lincoln's birthday, I listened to the splendid addresses and heard Lincoln discussed as the man of common sense, I took notice of a sentence that reads thus:

Now, it is popular to make your announcement without consulting the wishes, or even the desires, of your best friends.

How does that sentiment fit the present situation? Is not that what the administration leaders have done relative to this revenue bill? According to the confessions of the majority floor leader, not even the House Republicans, the best friends of the Mellon plan, have been consulted about it, but they are ordered to swallow it whole. And as I think of Lincoln, as I see him with my mind's eye, such as my father in my early childhood across the ocean pictured him to me, tall and gaunt but strong and kindly, loaded with sorrows and seared with care, hoping, pleading, praying, speaking soft words to everybody, and relieving the nervous strain with homely humor, I wonder what he would have said of little fellows who go around with chips on their shoulders and say to Congress, "You knock that off and you will see what will happen to you."

Right here and to-day, I think, is a good time to quote from one of Lincoln's messages to Congress where he speaks of the danger of the concentration of wealth in the hands of a few. He says:

Monarchy itself is sometimes hinted at as a possible refuge from the power of the people. In my present position I could scarcely be justified were I to omit raising a warning voice against approaching despotism. There is one point to which I ask a brief attention. It is the effort to place capital on an equal footing with, if not above, labor in the structure of government. Let them beware of surrendering a political power which they already have, and which if surrendered will surely be used to close the door of advancement against such as they, and fix new disabilities and burdens upon them till all liberty shall be lost.

No such preposterous proposition has ever been put up to Congress before as the Mellon tax bill accompanied with the threat that not an "i" must be dotted or a "t" crossed, but it must be enacted as it is written. Its nearest friends must not even get together quietly in caucus and talk about it. If this goes through, the House of Representatives will forever have sunk to the level of the Cortes of Spain under Riera, or the Parliament of Italy under Mussolini.

We are ordered to take it or leave it. We are told it is scientific, but we are not shown how. But even if it were scientific, which I deny (science is truth), this plan is a lie so far as doing justice to all the people is concerned. It has no place here; for under our Constitution and the precedents of the House, we, the Representatives of the people, shall work out our tax bills and never before has anybody had the nerve to claim that any tax bill was scientific. We are here to work it out as best we see it, to make mistakes if we must; they are then the mistakes of the people.

Who wrote this tax bill? Secretary Mellon wrote it. Some of the Members have been unkind enough to say that it was written in Wall Street or dictated from there. Who is Mr. Mellon?

He is the man that fixes the rate of interest to be paid on Government securities, of which there are outstanding \$21,500,000,000. The law has given him the right to do this. By fixing the interest rate on these securities he indirectly fixes the interest rate on the whole crushing burden of interest-bearing securities upon the backs of the American people. Interest is tax. He has the power to increase the tax load on the poor. If interest is placed one-half of 1 per cent higher than it ought to be that increases the interest load throughout the land more than \$500,000,000.

Mr. Mellon sits on the Federal Reserve Board. This board fixes the discount rate and regulates credit.

It is natural that one of the richest men in the world, having been placed in such a position of political and economic power, will try to conquer the one world that is yet left to be conquered. If he can increase the tax load of the poor, all that is left to do to show that he is all supreme is to lighten the load of the rich. That is what the Mellon bill intends to do, and nothing else.

Had this bill been written in Congress it would have been a different bill. It would have been written by the majority members of the Ways and Means Committee. It would have been a compromise of the ideas of those majority members; perhaps some of the Democratic minority would have joined. There is fundamentally not much difference between conservative Democrats and conservative Republicans; they have stood pretty well together on most of the other important committees, and on this committee they are not "radicals."

The rank and file of the Republican membership of this House must feel the humiliation. They are patriotic men; they are intelligent men; how they could have allowed stupidity, from a political standpoint, to shape this tax question so that now it is a question of property rights versus human rights, business against justice, I for one can not understand.

The Democrats, indeed, are fortunate that they can pose as the champions of human rights. The only way to make the tax bill a Republican measure now is to pass the Frear substitute, whether they think that plan is the proper measure or not.

I do not intend to rehash the statistics quoted on the floor in this debate. I am not prejudiced in favor of the Garner plan, but how could I, representing Minnesota with 124,501 income taxpayers in 1921, out of which 124,370 will be benefited more by the Garner plan, vote for the Mellon plan that will benefit only 131 taxpayers there more than the Garner plan? Of these 131, not one lives in my district.

The late lamented President Harding said that we were going to put more business into government and less government into business. He spoke the truth. But we did not put the right kind of business, the business of the people, into the Government; we put big business into the Government, and God knows if we are ever going to get it out.

Mr. Mellon with his tax-reduction plan and his nation-wide propaganda for it reminds me of a bird that lives in all countries of Europe, but which spends the summer particularly in Norway.

The coming back of this bird from the south is always eagerly looked for. The winter is always long and the early spring bleak and dreary. The cattle bellow hungry in the barns and the farmer waits anxiously for the first day that he can start his work in the field; the children are all expectant, and old maids strain their ears almost beyond the hearing point, for it makes a lot of difference at what point of the compass the cuckoo sings the first time. If she hears him in the west, she will be married.

If he sings in the north it means death, if in the east things will go wrong, and when he sings in the south it is seeding time. But when he sings everybody knows that spring has arrived; soon the woodlands are filled with song and everybody forgets winter and hard times and there is nothing but sunshine and summer. And he sings and sings and flits from tree to tree, from bush to bush, but no one ever gets near him, or at least it happens very seldom. There is an old tradition that if you get under the tree where the cuckoo sits and dress and undress three times before he flies away your wish and all your wishes will be fulfilled.

Yes, this cuckoo of ours sings too, and it has the same effect; it cheers like a message of coming summer. He sits there hid under the foliage and sings so plaintively that he wishes to give everyone a bonus—except the soldiers; but Congress won't let him do it, and when you go and try to find him he is flown. He sings in Chicago, and when you get there he sings in Minneapolis; when you get to Minneapolis he is back in Pittsburgh, and when you get to Pittsburgh he is out in sunny California. And the people run around in a circle and step on each other's toes to get a glimpse of him, but he always sings in the distance.

But when hatching time comes he stops singing and the folks all wonder where he has gone. Then comes a tragedy for some one—for some of the little birds in the woods that thought he sang so sweetly for them.

The cuckoo, they say, lays its eggs in the nests of other birds—for instance, in a wren's nest. The little birds feel so proud when the big son peeps out of the egg, and they hurry up to feed him and take care of him. But he is so big and grows so fast that the little birds often kill themselves trying to feed him after their own real offspring have perished from starvation.

We are in the same fix with big business in our Government. Mr. Mellon is putting a cuckoo's egg in a wren's nest. We had in 1921, 6,662,176 income-tax payers; of these taxpayers, if they are yet in the same financial condition as they were then, only 9,343 will receive more benefit under the Mellon plan than under the Democratic substitute. Is not the illustration of the cuckoo in the wren's nest illuminating? Six million six hundred and sixty-two thousand one hundred and seventy-six sacrifice for the benefit of 9,343!

Or take the State of North Dakota. There were 18,400 income-tax payers in 1921; of these only one single one will get more benefit under the Mellon plan. Yet the gentleman from North Dakota [Mr. Young] is for the Mellon plan. I suppose that he is sure that the one person benefited more by the Mellon plan lives in his district, so that he can call on him for help in being reelected. The question comes to my mind: Suppose, owing to the secrecy surrounding income-tax returns, it is not known in what North Dakota district this one lucky taxpayer lives; the State having three Congressmen, will not the three be in a quandary as to which one of them shall help him? He surely needs protection. But if all three voted to protect him, What then?

Of course, there are good features in the Mellon bill which, I understand, will help to a better administration of the income tax law.

But the main and central thought of the bill is fallacious. We are asked to vote an enormous tax reduction to those who have the biggest incomes, on the plea that that will help the poor. It is said that that will release capital for new business enterprises, and it is said that by making the tax lower for the rich there will be fewer of them who will commit perjury. Of course, they do not put it that way, but that is what it means.

I have been in favor of an income tax with high surtaxes as a social tax, as a method of leveling the unequal distribution of wealth in this country. I am not quite able to understand some of the arguments. It is said that when surtax on incomes over \$300,000 was 10 per cent the revenue was about the same as when it was 65 per cent. The other day a gentleman quoted from President Coolidge's Lincoln day speech, saying:

In 1916 there were 216 incomes of a million dollars or more. Then the high tax rate went into effect. The next year there were only 141, and in 1918 but 67. In 1919 the number declined to 65. In 1920 it fell to 23, and in 1921 it was further reduced to 21.

I would take this to mean that the high surtax works as a leveler of fortunes. But they tell me it does not. What does it show then? It shows that as tax rates have been reduced the big incomes have dwindled and it goes without saying that if the rate on big incomes is yet reduced more the number of big incomes will dwindle.

When the other day the shrinkage in the number of the incomes over \$300,000 was bemoaned I asked if it was the intention to so frame the tax laws that that number would again be greatly increased, but I received the answer that the gentleman did not quite understand the question. Yet that must be the intention, for if the tax rate is cut in two and the number of those who pay the tax is not increased it will be foolish to argue that any benefit will follow.

I was asked the other day by a fine elderly gentleman, to find out how radical I was, I suppose, "How much would you allow a person to keep who had an income of \$300,000?" I answered that I could get along very nicely on \$100,000 in a year, that I always had had to get along on very much less. That would be taking 66⅔ per cent. Yet such a person would not suffer. Why should I worry about the rich? Why should other poor men here worry about them?

Financial experts say that never in our history have we as a nation added so much to our national wealth in a year as during 1923. I shall quote some figures from the New Republic for February 13, 1924. It says:

No other nation has ever had such an addition in 12 months as we have created within the last year. Neither high taxes nor tax-exempt securities nor idiotic tariffs have greatly hampered our economic growth.

To quote further:

It is apparent now that we have added some \$12,000,000,000 to our national wealth through saving during the past year. For this act of producing more than one consumes is the essence of saving. England before the war added \$2,000,000,000 a year to her national wealth by saving.

The source I quote from continues:

No longer is it necessary to direct our national economic policy primarily with a view to encouraging capital accumulation. That seems to be sufficiently institutionalized to assure the Nation funds for the promotion of industry and for the expansion of those durable material things which are needed to maintain the great mass of people in a high degree of comfort.

Out of these \$12,000,000,000 there was invested in good roads, garages, and other things connected with the automobile industry, including new oil development, pipe lines, and storage facilities, \$5,000,000,000. Four billion dollars were invested in buildings which had nothing to do with the automobile industry. Railroads have made additions amounting to \$1,000,000,000. Investments in telegraphs, telephones, electric light and power plants, and other public utilities about \$1,250,000,000.

And so it goes on. There is no lack of capital.

The corporations of the United States made profits for the year of about \$8,000,000,000. Of this they will pay about \$1,000,000,000 in corporate income taxes. Not over \$4,000,000,000 were distributed in dividends, which leaves \$3,000,000,000 of corporate surplus for reinvestment. Interest rates have a downward tendency, except those fixed by the Secretary of the Treasury. What then becomes of the cry for lower surtaxes for the rich in order to release capital for investment? How hungry is the cuckoo, anyway?

What becomes of the cry that a soldier bonus must not be paid? Why should not this debt of honor, pledged by all political parties, be paid now, and why should not steps be taken to reduce the war debt? Now is the time to do it when business is good, and the national wealth is increasing so very fast. The interest on the public debt paid last year was nearly 30 per cent of the total expenditures and it was over a quarter billion more than the total governmental expenditures the year before the war. When are we going to pay for the war if we are not going to begin paying now? We should have started long ago. England is finding out her mistake by not starting in in time.

The timeliest cry of warning uttered in this debate was uttered by the gentleman from Kansas [Mr. LITTLE] when he said:

How long do you think the people of this country will permit great fortunes to avoid their taxes? How long will it be before the State and Nation levy an inheritance tax of 80 per cent and pay off the debts of this Nation in a few short years? Oh, you ostriches, take your heads out of the sands and face the future and be content to pay your taxes as long as you live.

He who says, like the gentleman from Iowa [Mr. COLE], that those who stand for a 50 per cent surtax are Bolsheviks, is, ostrichlike, thinking he is hidden when he hides his head.

This gentleman should think of what has happened in England. I shall quote from a handbill circulated by the Labor Party in the last campaign for the election to Parliament. From this he will see how even the champions of property rights will change their minds.

The handbill reads as follows:

THE TORIES AND THE CAPITAL LEVY.

The Tories are saying:

"A levy to redeem war debt would be confiscation."

The late Mr. Bonar Law knew better. He thought that "there was nothing confiscatory in such a proposal." (House of Commons, January 29, 1918.)

Mr. Stanley Baldwin knows better. He says that—

"It is no good meeting propaganda about the capital levy by merely saying it is a form of robbery, for two reasons—first, it would not be true, and second, nobody would believe you if you said it." (The Times, June 30.)

The Labor Party agrees with the late Mr. Bonar Law in two things:

When he said that "when it comes to a question of making men give up their lives for the good of their country, it is a very small thing to give up their money."

When he said that "when we need money we have to go where we can get it." (November 14, 1917.)

That is exactly why the Labor Party proposes a capital levy.

THE LABOR PARTY AND THE BOARD OF INLAND REVENUE KNOWS WHERE THE MONEY IS.

The board of inland revenue reported in 1920 that in any year before the war all the individuals in the country did not add more than £250,000,000 to their fortune.

During the war they added £4,000,000,000 to their fortunes.

Now two-thirds of all the wealth in private hands belongs to just under 400,000 people, about the population of Bristol.

Four-fifths belongs to persons over 45 years of age.

In 1921-22, 11 millionaires left £31,600,000.

This is the wealth which the Labor Party would tax.

To return the Tories is to let the rich man levy their own taxes. Vote Labor.

How will you like it when handbills like that fall like a storm over the whole country just before election day? Mr. Mellon says now he does not know where the wealth is but he will coax it out by reducing taxes. They fooled the laborers of England, too, for centuries, but they say now they know where the wealth is, and, believe me, we will find it out in this land of ours, too—where it is—and make it bear its just share of our common burdens.

Do the tax-shirking, shortsighted tax dodgers back of the Mellon plan think they can stave off the day of reckoning by the malicious and costly propaganda they now are putting on over the whole country, in which millions and millions of dollars are being spent in propaganda of different kinds?

Several gentlemen have referred to the Literary Digest, which has sent out 15,000,000 post-card ballots, and which now prints the result as part of the ballots come back, in order to scare Congressmen and poison public opinion.

From my own State and from its capital city comes a four-page newspaper display advertisement carried in the St. Paul Daily News for February 10. On February 16 I received an exact duplicate of this four-page display add carried in the Daily Law Bulletin, of Pittsburgh, Pa., printed on February 18, coming to hand two days before it is printed. There seems to be some undue haste about it. Every word, except the names of the signers, is identical. How can this happen that a number of men living so far apart can think so exactly the same on such a question? The Minnesota prevarication of the truth is signed by 124 representatives of different corporations. There are only 131 persons in Minnesota who will be benefited by the Mellon plan over any other plan.

Why did they not have the other seven sign? Have they gone bankrupt helping the farmers? These so-called petitions to Congress contain a lot of bunk, among other things the foolish statement that Mr. Mellon is trying to give to everybody—except the soldiers, of course—a bonus, but that Congress is so mean that it will not let him do it. For that reason the signers ask all the voters to write to their naughty Congressmen and tell them to be good. This very libelous appeal to the voters is printed in big, black type:

Some of your public servants at Washington—some of the Congressmen—have said that they are tired of receiving letters from propagandists in favor of the Mellon tax-reduction plan. If working for a proposal which means so much to every citizen and to the Nation as a whole makes you a propagandist you should be proud to be one. It should be a privilege to the men whom you put into office to receive your opinions and ideas on any subject. In a matter of vital importance, it is their duty as well as their privilege to give careful consideration to your communications. The Mellon plan is of vital importance to everyone, so write to your Congressman now.

Just think, only seven more than those who signed the petition will receive any benefit from the Mellon plan as compared with the other plans, and they try to fool the people of the whole State into helping them!

The source of this shameful propaganda should be disclosed, it should be bared to the light of day so people can see the interests that are back of the Mellon tax-saving plan.

I fail to see where any Representative or Senator from Minnesota should vote for it. In spite of the general prosperity the farming Northwest is suffering and this friendly tax-saving measure carries in it some very heavy and burdensome taxes for the farmers. We have been enlightened very much as to why the tax on yachts and bowle knives was taken off. Yachts belong to J. Pierpont Morgan, James Stillman, of unsavory fame, and others like them. They very likely contribute to the intimidation fund to set Congressmen right. They contribute to political campaigns.

But not so with the farmers' yachts, the light trucks, and cheap cars that carry their burdens and that carry them on their pleasure trips, to church, and to town. I shall insert in the RECORD some tables showing what tax the farmers pay on cars, trucks, and automobile repairs. The farmers' share of tax paid under the Mellon plan on cars is \$34,705,100, on trucks \$1,877,850, on tires \$5,737,500, and on repairs \$3,543,750, a total of \$45,864,200.

How many farmers would sign and send to Congressmen such petitions as I have told you about now being sent out?

But no situation is so ridiculous that it has not its humor. On February 11 I received a telegram from St. Paul, Minn., that reads:

We urge Mellon tax revision; believe it favorable to potato industry.

J. R. BEGGS & Co.

This firm did not get on the big petition, so they hastened to send the message. They must have heard so much of the wonderful curative properties of the Mellon plan that they believe every malady can be cured by its magic touch. They know that the potato industry is sick, and that everything else has been tried on it, to no avail. So why not try the Mellon plan—why not plant the potatoes in the Mellon patch?

Mr. Chairman, I ask permission of the House to insert after my remarks some campaign documents used in the late election for Parliament in England. They will bring out some facts that ought to be called to the attention of Members of this House.

The CHAIRMAN (Mr. MAPES). The gentleman from Minnesota asks unanimous consent to extend his remarks in the Record by publishing some campaign documents in the last election in England. Is there objection?

Mr. GREEN of Iowa. Reserving the right to object, I do not object if the gentleman wants to extend his own remarks, but I do object to going to England for campaign documents. The CHAIRMAN. The gentleman from Iowa objects.

APPENDIX.

Statistics from the American Farm Bureau Federation:

AMERICAN FARM BUREAU FEDERATION,
Washington, D. C., February 15, 1924.

DEAR MR. CONGRESSMAN: In these days of continued and extended agricultural distress reduction in taxes is one of the greatest reliefs that can be given the farmer. The Federal Government can directly serve the farmer by the removal of excise or consumption taxes. The direct saving to the farmers through lower surtaxes is almost a negligible amount, as only a very small percentage pay any surtaxes whatever. Further, there is no assurance that the reduction in the surtaxes to those who have to pay them will reduce the profits being taken by those who are in a position to do so. The normal tax rate is not excessive or burdensome and therefore should not be reduced at all.

The proposal to reduce surtaxes to 25 per cent is contrary to the best information available to us in securing the desired result, namely, adequate revenue, and we earnestly protest that it be fixed not below 40 per cent. We believe that additional revenue so raised should be equalized by the reduction of direct taxes on items such as automobile parts and light trucks, namely, those not exceeding about 1 ton capacity. The tax on parts is largely in the nature of a tax on misfortune and losses and can not well be justified at any time. In so far as the farmer is concerned, the light trucks are his horse and wagon in these days of mechanical equipment, and they should be freed, certainly in part if not in whole, from this tax. I also suggest that a graduated inheritance tax on tax-free securities might be considered.

May I say, further, that I appeal to all friends of agriculture to expedite the consideration and passage of the tax bill, so that we may thereby at an early date secure the consideration of Muscle Shoals, which we have been assured will be the next measure considered, and then other agricultural relief measures in the order in which they may be determined as most desirable?

Sincerely yours,

AMERICAN FARM BUREAU FEDERATION,
GRAY SILVER, Washington Representative.

WHAT IS THE FARMER'S YEARLY EXCISE-TAX BILL?

(Repair figures based on a survey of the farmer's use of automobiles made by Division of Farm Management, Bureau of Agricultural Economics, Department of Agriculture. Report appeared as supplement to Monthly Crop Report, January, 1924, p. 3.)

Motor vehicles on farms:

	1923.	
Motor cars	4,100,000	
Motor trucks	400,000	
Total vehicles	4,500,000	

TIRE COST IN 1923.

Average cash outlay for tires per year as indicated by above survey, \$34.

Multiplying total vehicles on farms by this amount gives total tire replacement	\$153,000,000
Element in cost for freight, profit, rent, bookkeeping, and other sales costs	38,250,000
Wholesale value equals	114,750,000
Federal excise tax at 5 per cent (farmer's misfortune tax on tires)	\$5,737,500

REPAIRS.

Indicated average cash outlay for repairs, \$28.

Assuming that three-quarters is for parts, \$21, which is believed conservative in view of large amount of repair labor done on farm, total farm expenditure for repair parts	\$94,500,000
Element in cost for freight, profit, rent, bookkeeping, and other sales costs	23,625,000
Wholesale value equals	70,875,000
Federal excise tax at 5 per cent (farmer's misfortune tax on repair parts)	\$3,543,750

Total misfortune tax on parts and tires 9,281,250

New cars produced in 1923, 3,644,000; wholesale value \$2,243,385,000

Assuming same percentage continued to go on farms that is indicated by ratio farm registration to total registration (per cent) 30.94

New cars to farms in 1923, 1,118,453 \$694,102,000

Federal excise tax at 5 per cent (farmer pays in excise taxes on new cars) 34,705,100

New trucks produced in 1923, 370,000; wholesale value \$267,500,000

Assuming same percentage continuing to go to farms (per cent) 23.4

Trucks, 86,580 \$62,595,000

Federal excise tax (farmers pay in excise tax on new trucks) \$1,877,850

Total Federal automotive excise taxes paid by farmers 45,864,200

Twelve and five-tenths per cent of the average citizen's income goes for taxes. (Figure from President Coolidge's Lincoln Day address, 1924.)

Sixteen and six-tenths per cent of the farmer's income goes for taxes. (Figure from National Industrial Conference Board.)

Mr. COLLIER. Mr. Chairman, I yield the balance of the time to the gentleman from Rhode Island [Mr. O'CONNELL].

Mr. O'CONNELL of Rhode Island. Mr. Chairman and gentlemen of the committee, I have already expressed myself a few days ago at some length upon the bill which we are shortly to consider section by section. I appreciate the honor and privilege and am very glad of the opportunity to wind up the general debate on the Democratic side, and as a concluding thought I want to direct my remarks to the charge that has been made from the Republican side that the Democrats have caucused on this measure. It is true that we have caucused upon this measure, but that fact can not be a source of satisfaction or profit to you, because your side of the House was the first to caucus on this very proposition. Nobody has denied the fact that the Democratic members of the Ways and Means Committee, which has had this bill under consideration, were denied even in committee an opportunity to vote upon the normal and surtax rates proposed in this bill. You can not deny the fact that you did not give the members of the Democratic side an opportunity in committee either to discuss or to vote upon these rates. They were excluded from your meeting while you considered these rates. Although it was a matter of such vital and tremendous importance to the people of this country, yet you lacked the common courtesy of giving the minority members an opportunity to vote on these rates. As soon as your committee met, the previous question was ordered and you voted to report the bill in its present form. Nobody has denied that charge.

Mr. GREEN of Iowa. Will the gentleman yield?

Mr. O'CONNELL of Rhode Island. No; I can not yield. I have only a few minutes left.

Mr. GREEN of Iowa. I simply wanted to ask the gentleman how long he had been here?

Mr. O'CONNELL of Rhode Island. You have said to us that if we wanted to make this a party measure that we will have to assume the responsibility, that we will have to explain our position to the people of this country. As the gentleman from Texas [Mr. GARNER] has so forcibly and clearly stated, we will be glad to go before the people of the country on this issue, because our position is explainable and actuated by a sincere desire to support a plan that is both logical and equitable and economically sound.

The Democratic plan will be finally adopted in its essential features, notwithstanding the unprecedented propaganda in favor of the Mellon plan. Even the Literary Digest has attempted to join in the general scheme of propaganda by sending to thousands of persons throughout the country literature giving comparative tables of the present tax rates and the proposed Mellon plan in order to show the people of this country that they would save a certain amount of money by the Mellon bill and seeking to influence them in its support. Oh, my friends,

if you would only put the other table—the Democratic table—beside the other two and say to the people of this country, "Take your choice," there is absolutely no question but what they would choose the Democratic plan. [Applause on the Democratic side.]

I would like to go before the people of the country in the next campaign and take this chart and show them the present tax rates and show them the Mellon plan, and beside them both, in a separate table, the Democratic plan. I would like to take a ruler and point out to the people of this country what they would save under each of these plans, and I am absolutely sure that the overwhelming verdict of the American people would be in favor of the Democratic plan. [Applause.]

The CHAIRMAN. The time of the gentleman from Rhode Island has expired.

Mr. GREEN of Iowa. Mr. Chairman, I yield 10 minutes to the gentleman from Minnesota [Mr. NEWTON].

Mr. NEWTON of Minnesota. Mr. Chairman, we are about to close debate. Some further observations may be helpful.

During the last two decades the population of this country increased about 30 per cent. During this same period its expenditures for all Government purposes, including local, State, and National, increased from one and three-fourths million dollars to over nine and one-third million dollars, or 430 per cent.

An average of \$68.37 for every man, woman, and child was collected in taxes during the calendar year 1922 by municipal, State, and National Governments. In a family of five this means \$340 per year, or nearly \$30 per month. This sum is one-fifth or more of the average monthly earnings of the average head of a family. It constitutes a tremendous sum, and in and of itself is a challenge to every legislator—municipal, State, or National—for him to use his best endeavors to curtail expenditures to a minimum and thereby lessen taxation.

Mr. Chairman, we are not responsible for all of this, but the per capita tax for the same year for the National Government amounted to \$29.47. We are responsible for this tremendous burden. It constitutes a special challenge to the House of Representatives, charged as it is with the great responsibility of initiating all revenue legislation, and to do our utmost to reduce the burden.

Gentlemen, I have been talking averages. Who, in fact, pays this tax? Over 6,000,000 people made income-tax returns in the last year. A little over 3,000,000 of these paid income taxes. One would think to hear the gentleman from Texas [Mr. GARNER] that they and they only paid this tax. No; it is not only these 3,000,000 people who directly pay taxes of this character, but we must bear in mind that ultimately money collected in taxes of this character constitutes a burden upon every man, woman, and child in the country.

In his annual report to Congress, the Secretary of the Treasury calls attention to the accumulation of a surplus of some \$340,000,000. This surplus is the result of economies and reductions in which both legislative and executive branches of the Government can justly claim credit. Federal taxation is a highly technical subject. There are few things more technical than the operation and effect of certain provisions of the income tax law. The Secretary of the Treasury is the head of that great department of our Government and is charged with the responsibility of handling the financial affairs of the Nation. In calling our attention to this surplus it seems to me that the Secretary of the Treasury rightly recommended not only a reduction to the extent of this surplus, but accompanied that recommendation with specific suggestions as to just where the revenues could best be reduced. For example, our internal revenue is derived from income and excise taxes. He advised us as to the proportions collected from each source and suggested that in making our reductions we reduce somewhat in the same proportion; that is, reduce the income taxes two-thirds and the excise taxes one-third. He then made concrete suggestions as to the normal income-tax rate and the surtax, setting forth his reasons for so doing.

In doing so he has been criticized. Why should not the head of this great department of the Government make concrete suggestions and recommendations to Congress? Here is a highly technical matter. Congress has provided for him a large corps of able assistants to advise him, especially in all of these technical propositions. Why should not we, therefore, receive his advice and counsel? Furthermore, up to the present time the Secretary of the Treasury has demonstrated signal ability in the administering of his great office. Without noise and without publicity, in something like two and one-half years time, he has paid some one and three-fourth billion dollars off from the public debt. Surely no criticism should rest either upon him

for giving suggestions or of the Congress for carefully considering them.

Mr. Chairman, after thorough and extensive hearings the Committee on Ways and Means have reported out a bill which, in the main, follows out the recommendations of the Secretary and his technical experts and advisers.

In brief, this new revenue bill will—

(1) Give immediate relief to taxpayers by a 25 per cent reduction of the income tax payable this year on 1923 incomes.

(2) Give permanent relief by a revision of our 1921 revenue act.

The permanent relief it is estimated will mean a net reduction in revenue of some \$341,000,000 apportioned as follows:

Reduction in estimated revenue after bill is in full operation, as compared with estimated income that will be returned for 1923.

Normal tax on incomes	\$91,600,000
Surtax on incomes	101,800,000
Earned income	89,500,000
Miscellaneous taxes	108,040,000
Total	390,940,000
Increase in estimated revenue:	
Capital loss provision	\$25,000,000
Certain deductions limited to tax-free income	24,500,000
Total	49,500,000
Net loss	431,440,000

The normal tax on incomes under the 1921 law runs from 4 to 8 per cent, depending on the size of the income. The committee bill follows the Secretary's suggestions and recommends a reduction of 25 per cent in the normal tax on incomes both small and great. The existing law provides, in addition to this normal tax, a progressive surtax on incomes in excess of \$6,000. If this bill becomes a law, the surtax will commence at \$10,000. A reduction in the surtax is provided for, ranging all the way from 16½ to 50 per cent.

Existing law makes no distinction between "earned" and "unearned" income. "Earned" income is the income derived by way of wages, salaries, and fees for professional services, where the service is personally rendered. The fairness of taxing incomes received as personal compensation for services actually rendered the same as incomes from investments has long been questioned. It is not fair, and a distinction should be made. This recommendation was made by the Secretary, and this recommendation is embodied in the pending bill. If it becomes a law, income derived from wages, salaries, and professional services will bear a 25 per cent less tax than the income received from investments.

The reduction in excise taxes vary somewhat from the concrete suggestions of the Secretary, and as embodied in the bill are apportioned as follows:

Estimated loss in revenue due to the repeal of certain special taxes, and the change in taxation in certain others, as reported by the committee.

Section 500 (a): Repeal of tax on telegraph, telephone, and radio messages	\$31,000,000
Title VI: Repeal of sections 602 and 603, taxing beverages, etc.	10,320,000
Section 800: Repeal of all tax on admissions under 50 cents each	33,000,000
Section 900:	
Repeal of (6) tax on candy	11,000,000
Repeal of (8) and (9) tax on knives, dirks, etc.	25,000
Repeal of (12) and (13) tax on liveries, hunting garments, etc.	300,000
Repeal of (14) tax on sale of yachts, etc.	250,000
Section 904: Repeal of entire section taxing carpets, rugs, trunks, furs, etc.	1,350,000
Section 905: Changing tax on jewelry so as to yield \$7,500,000	13,250,000
Section 1001, (5), (6), and (7):	
Repeal of tax on proprietors of theaters, circuses, etc.	1,865,000
(8) Tax on proprietors of bowling alleys and billiard rooms cut in half	2,180,000
Section 1107, schedule A, subdivision 4: Tax on sales of produce on exchange cut in half	3,500,000
Total loss in revenue	108,040,000

In addition the committee has recommended numerous changes in the administrative provisions as recommended by the Secretary, which will make for greater equality and incidentally in doing so will result in a net increase in the revenue.

Mr. Chairman, taxation is such an important question that the country was in hopes it would be settled without reference to partisanship. It was in this spirit that the Secretary of the Treasury made his recommendations, and it was in this spirit that the President of the United States acted in presenting the matter to Congress in his initial message. It was in this same spirit that the Republican membership of the Committee on Ways and Means, went to work to write this bill.

You, my Democratic friends, however, would not meet either the President, the Secretary of the Treasury, or the committee in any such spirit. You have chosen to make of it a partisan proposition. In lieu of the committee bill you propose a plan formulated by the gentleman from Texas [Mr. GARNER].

In the first place—and this shows the lack of care in its preparation—this bill asks us to reduce the revenues far beyond the surplus, and so as to create in fact a very substantial deficit. The primary purpose of a revenue bill is to raise revenue. If it does not accomplish this, it is not a revenue bill. The Democratic bill here would change a surplus into a substantial deficit and necessitate the borrowing of money in time of peace to run the Government. But, my Democratic friends, you have done that before; it is more or less of a habit with you, and I presume that you can not help it.

The purpose of this proposal by the gentleman from Texas is, of course, wholly political. He can safely propose to reduce the normal tax as to the smaller incomes 50 per cent instead of 25 per cent and prate about how he is interested in the 6,000,000 smaller taxpayers, rather than the millionaire, because neither he nor his party has any present responsibility. Apparently neither he nor his party expect to have any responsibility in the near future.

Mr. Chairman, the gentleman from Minnesota [Mr. WEFALD] referred to the Democratic caucus and his presence there. I can not help saying that my good friend and colleague by reason of that is occupying a rather unique position on the floor. The Democrats have caucused and bound everybody apparently but the gentleman from Minnesota. Apparently he must have been in there in the capacity not as a Democrat, not as a Republican, but as an "unofficial observer." [Laughter.] And so it appears he is the only one that attended that caucus who was free to come upon the floor and after listening to the debates pro and con to act in accordance with his own judgment. The rest of you have participated in the debate; but no matter what proposal is made here, no matter what facts may be shown here in the course of this debate, you gentlemen are powerless to act in your capacity as Representatives here and vote your honest judgment in this matter.

Mr. CHINDBLOM. Mr. Chairman, will the gentleman yield?

Mr. NEWTON of Minnesota. Yes.

Mr. CHINDBLOM. The gentleman is forgetting that one gentleman, the gentleman from Virginia [Mr. DEAL], obtained leave to exercise his own judgment, but that another gentleman, the gentleman from Missouri [Mr. HAWES], could not obtain that.

Mr. NEWTON of Minnesota. The gentleman from Virginia [Mr. DEAL] having some constitutional scruples against any kind of an income tax, I am informed, was excused, but he had to ask permission in order to come upon the floor here and vote his own judgment in reference to the provisions of this bill, numbering some 240 pages, totaling a saving of something like \$300,000,000.

Mr. SEARS of Florida. Mr. Chairman, will the gentleman yield?

Mr. NEWTON of Minnesota. Yes.

Mr. SEARS of Florida. Of course, the gentleman does not know anything about the rules of the Democratic caucus.

Mr. NEWTON of Minnesota. I was not there as an observer officially or unofficially, but I do happen to know something of the history of the gentleman's party.

Mr. SEARS of Florida. I know the gentleman does not intend to be unfair. The gentleman from New York [Mr. CROWTHER] stated this morning that there was much in this bill that he did not approve, but the Republican conference—and he could not see any difference between a conference and a caucus—made him vote to support the Mellon plan.

Mr. NEWTON of Minnesota. I am not surprised that the gentleman should want to get out from an embarrassing position.

Mr. SEARS of Florida rose.

Mr. NEWTON of Minnesota. I can not yield to the gentleman any further. I want to say something now in reference to the remarks made by the gentleman from Rhode Island [Mr. O'CONNELL].

He says that the Republicans caucused. The Republicans did not caucus. They had a conference, and at the close of that conference everyone was privileged to come upon the floor as we are upon the floor and vote his own convictions, but the gentleman from Rhode Island does not stand in that position. He, by going into the Democratic caucus, is bound by the vote of that caucus, regardless of the votes of his own constituency and regardless of his own judgment.

Mr. O'CONNELL of Rhode Island. And will vote for the Garner plan because it is right. My conviction is that it is the best plan for the people of the country.

Mr. NEWTON of Minnesota. Of course the gentleman is bound to vote for the Garner plan, and therefore thinks it is the best plan.

Mr. GREEN of Iowa. Mr. Chairman, will the gentleman yield?

Mr. NEWTON of Minnesota. Yes.

Mr. GREEN of Iowa. There never has been any Republican conference on the bills as everyone understands. In fact, the gentleman from Missouri the other day said that we were afraid to have a conference.

Mr. NEWTON of Minnesota. The gentleman from Iowa is correct. Some five or six weeks ago we had a conference, in no sense pertaining to the bill, but in a general way to discuss the subject of taxation. It was only in that sense that I used it, but we have not had a conference upon this particular plan.

Mr. TAGUE. Mr. Chairman, will the gentleman yield?

Mr. NEWTON of Minnesota. Yes.

Mr. TAGUE. Is it not a fact that in that conference the Republicans did notify the members of the Ways and Means Committee that they were not to consider the adjusted compensation bill until the tax bill was out of the way?

Mr. NEWTON of Minnesota. Yes; and that is all we did. We notified our committee to get busy upon the tax bill and to then take up the adjusted compensation bill. That is all the conference was about, but when you hold a caucus you are tied up, and the members of the Democratic Party can not act in a representative capacity upon this floor.

Mr. TAGUE. Why did you tie up the Committee on Ways and Means?

Mr. NEWTON of Minnesota. We did not. I refuse to yield any further.

Mr. STEVENSON. Mr. Chairman, will the gentleman yield?

Mr. NEWTON of Minnesota. I have only four or five minutes left and I regret I can not yield.

Mr. STEAGALL. Mr. Chairman, will the gentleman yield?

Mr. NEWTON of Minnesota. No, I can not yield further.

Mr. Chairman, the Garner bill falls down in the first instance, because it will not furnish the requisite amount of revenue. The gentleman from Texas, however, refers to the 6,000,000 income-tax payers and his intense interest in them. I am not interested in any group as such, whether big or small, but I am interested in the Nation and its welfare, in consideration of its interests as being paramount over and above every group and every class. When the Constitution was adopted Congress was granted the power to "lay and collect taxes, duties, imposts, and excises."

For what purpose?

(1) To pay the debts, and

(2) Provide for the common defense and general welfare of the United States.

The grant of power is to pay the debts of the United States and provide for the general welfare not of a group, not of a class, but of the United States. I want a tax-reduction bill drawn in accordance with this principle. I want a tax bill drawn where the primary purpose is to get revenue rather than to obtain votes. I want a tax bill drawn not in the selfish interests of either 3,000 or 3,000,000 people but for all the people, the people who now pay either directly or indirectly this \$30 per capita annual tax.

It must be borne in mind that these 3,000,000 taxpayers constitute less than 3 per cent of the population of the country. I would have a bill drawn not only in the interest of this 3 per cent, but also in the interest of the remaining 97 per cent who may not pay directly, but who are vitally affected by what we do here.

If we are to ignore the question of revenue, as the gentleman from Texas has done, then we might just as well make a further reduction in the taxes paid by these 6,000,000.

Regardless of the needs of the Government for revenue, the Garner plan being a bid for the vote of 3,000,000, the gentleman proceeds to "smite the millionaire," the payer of the surtax, by saying that he will make the maximum surtax 44 per cent instead of 50 per cent, as embodied in the present law and 25 per cent as embodied in the present bill. In doing so he asks for the vote of all those who do not pay these surtaxes.

Will such a tax produce the revenue needed? There is such a thing as killing the hen that laid the golden egg. A tax can be fixed so high as to result in lessening the return. If a 44 per cent surtax will produce the revenue, that is one question. If it will not, then it is another question. To answer this we must study the operation of the high surtax in the past few years, especially since the war. The present surtax is 50 per cent; in 1916 the surtax was 10 per cent. The following is a table showing the steady decline in returns from incomes paying high surtaxes:

TABLE II.—Table showing decline of taxable incomes over \$300,000.

Year.	Number of returns.		Net income.		Dividends and interest on investments.	
	All classes.	Incomes over \$300,000.	All classes.	Incomes over \$300,000.	All classes.	Incomes over \$300,000.
1916.....	437,036	1,296	\$6,298,577,620	\$992,972,986	\$3,217,348,030	\$706,945,738
1917.....	3,472,890	1,015	13,652,383,207	731,372,153	3,785,557,955	616,119,892
1918.....	4,425,114	627	15,924,639,355	401,107,868	3,872,234,935	344,111,461
1919.....	5,332,760	679	19,859,491,448	440,011,589	3,954,553,925	314,984,884
1920.....	7,259,944	395	23,735,629,183	246,354,585	4,445,145,223	229,052,039
1921.....	6,662,176	246	19,577,212,528	153,534,305	4,167,291,294	155,370,228

It will be observed that incomes over \$300,000 decrease from 1,296 in 1916 to 246 in 1921. The net income from that source shrunk from nearly a billion to \$150,000,000. At the same time the receipt of net income from all sources increased 50 per cent from 1917. I now refer to the 1917 law, for it contained the same low exemptions that now prevail, and is therefore justly comparable. At the same time the income from dividends and interests on investments shrunk from \$700,000,000 in 1916 to \$155,000,000, while dividends and interests on all investments increased from three and three-fourths millions to four and one-sixth billions. It will be observed that even the prosperous year of 1920 showed no halt in the gradual diminution in the number of high income-tax payers. Their number steadily declined from the very moment the high surtaxes were put into effect.

Here is another table showing the amount of surtax returned on incomes of \$300,000 or more for the same period, together with the total amount of surtax returns, and the percentage that the surtax on incomes in excess of \$300,000 bears in relation to the total surtax.

Year.	Totalsurtax.	Surtax on income in excess of \$300,000.	Percentage to total of those in excess of \$300,000.
1916 ¹	\$121,946,136	\$81,404,194	66.8
1917.....	433,345,732	201,937,975	46.5
1918.....	651,289,027	220,218,131	33.8
1919.....	801,525,303	243,601,410	30.4
1920.....	596,808,767	134,709,112	20.6
1921.....	411,327,684	84,797,344	20.6

¹ 1916 was a year of low surtax rates.

The percentage to the total of those in excess shrunk from 66 per cent to 20 per cent. Again it is demonstrated that such a tax has proven itself to be unproductive. It does not yield the revenue. There is only one reason to underly the desire to reenact it, and that is it is easier to swat the rich, rather than face the facts.

Where has this money gone? A typical illustration is that which is set forth in the correspondence between the Secretary of the Treasury and Mr. COUZENS, of Michigan. It appears that Mr. COUZENS sold his stock in the Ford Motor Car Co. Upon that sale Mr. COUZENS paid in taxes \$7,229,161.75. In accordance with his own statement, where did he put the proceeds of that sale? Mr. COUZENS said:

I have largely invested my capital in State, county, and municipal bonds.

What proportion he did not say, but he did say that in the past 10 years he had paid in income taxes to the Government \$8,223,879.21. The year of the sale he paid in \$7,000,000 of this. This would leave one million remainder to be accounted for in the other nine years, for the stock was good-paying stock. Therefore much of this one million was paid in taxes before the sale. One must therefore come to the conclusion that almost all of the proceeds of this sale went into securities, the income of which pays no taxes whatever.

This is typical, and we must presume that if the surtaxes had been lowered Mr. COUZENS would not have invested his entire fortune in one class of securities. The conclusions from this are inevitable. The facts simply can not be controverted. The Government obtained revenue upon this stock prior to its transfer, but it does not obtain revenue upon this present investment.

There are approximately \$12,000,000 to \$13,000,000 of tax-free securities outstanding. The Secretary of the Treasury estimates that if the income derived therefrom was taxable it would bring into the Treasury \$200,000,000 per year. Further-

more the loss of revenue over an investment of the same amount in productive business, the Secretary estimates would bring in twice that sum. It is difficult to ascertain to just what extent people of wealth have resorted to this means of avoidance of their just obligation to support the Government. Figures are not available, but figures are available to the Government in the returns that have been made for inheritance-tax purposes. The inheritance-tax unit of the Internal Revenue Bureau has taken 21 returns filed in 1923 of estates of deceased persons having net estates of \$1,000,000 up. These returns were taken at random from the estates filed during the year. They show that the percentage of wholly tax-exempt securities to total gross estates in 1923 was 28.97, and the percentage of wholly tax-exempt securities to total bonds and stocks was 41.98. The comparison with similar percentages for previous years, as prepared by the Treasury Department, is as follows:

Year.	Wholly tax exempt to net estate.	Wholly tax exempt to total stocks and bonds.
1917.....	2.21	3.26
1918.....	4.27	6.66
1919.....	5.30	7.87
1920.....	9.79	14.50
1921.....	8.97	13.30
1922.....	6.82	10.53
1923.....	28.97	41.98

It will be observed that the percentage has in both instances greatly increased.

Mr. CHAIRMAN, I believe in the income tax. I believe in the progressive or graduated tax. I want the surtax placed at the highest point where it will bring in the maximum of revenue. I desire the normal tax placed at its lowest possible point consistent with maintaining the necessary revenues to run the Government. The Garner plan will bring a substantial deficit and will further add to the number those who escape taxation by investing in tax-free securities. Let us continue to be governed by the principle of levying taxes solely in the interest of "the general welfare of the United States" and enact a bill in keeping with that principle.

The CHAIRMAN. The time of the gentleman from Minnesota has expired.

Mr. GREEN of Iowa. Mr. Chairman, I yield five minutes to the gentleman from Illinois [Mr. DENISON].

The CHAIRMAN. The gentleman from Illinois is recognized for five minutes.

Mr. DENISON. Mr. Chairman and gentlemen, after the House has been listening for three or four days to the experts on taxation and budgetary science, I hesitate to ask the patience of the House to hear the views of a mere layman, one who has not made any special study of this subject at all. But I have some views, general views, on taxes that differ somewhat from those of the Members on my own side of the House as well as on the Democratic side, and I want to take these last few minutes of general debate that have been allotted to me to express my views in a general way to the Members of the House, and I ask your patience to listen to them for mere curiosity if for no other reason.

I believe that an income tax is now a proper and necessary part of our national fiscal system. This was not true in the early days of the Republic. The fathers who drafted the Constitution did not foresee the extraordinary growth we have experienced in population or the extraordinary increase in governmental functions of the Federal Government. They did not dream that the time would come when it would require from three to four billion dollars a year to meet the obligations of the Government. They did possess a splendid understanding

of the elementary principles of finance and they sensed the dangers of allowing to the Federal Government the right of levying direct taxes upon any other basis than an apportionment among the States according to the numbers of their population.

So they provided in Article I of the Constitution that—

direct taxes should be apportioned among the several States which may be included within the Union according to their respective numbers.

Modern conditions made it necessary for the Federal Government to find additional and increased sources of revenue, and this resulted in the sixteenth amendment to the Constitution, which became effective in 1913, and provided that Congress should have power to collect taxes on incomes without apportionment among the several States.

If I had been a Member of Congress at that time, I would have voted for the submission of that constitutional amendment. But if I had been a Member of Congress when the first income tax law was enacted following the ratification of the amendment, I would have voted against a progressive or graduated income tax at that time. I do not believe that our Government ought to resort to the collection of a graduated or progressive income tax unless it finds it is necessary to do so in order to meet its obligations. I believe such a tax to be unsound in theory, and in actual operation I believe it is unwise, because it tends toward a policy of confiscation. It offers a constant temptation to shift the burdens of government to the shoulders of the few who, because of their wealth, are able to bear them, and those who escape the tax will always be in the majority.

Mr. LITTLE. Mr. Chairman, will the gentleman yield for a question?

Mr. DENISON. No; I regret I can not yield.

The correct principle of an income tax as I view it is that every citizen should contribute an equal proportion of his income to the support of the Government, but no citizen should be compelled to pay any part of his income that is reasonably required to support himself and family. Therefore there should be liberal exemptions in favor of those who have but small incomes.

Under present conditions I do not think any man or woman who is the head of a family should be required by law to pay to the Federal Government any part of his income up to \$5,000; but above that, and under normal conditions, I believe every citizen should contribute an equal proportion of his income to the support of the Government.

Under abnormal conditions, when the Government is compelled to meet extraordinary expenditures, when the Government has to go to war to defend itself and extraordinary revenues are necessary to meet the increased burdens resulting from the emergency, then a different question arises. It may then become necessary to resort to extraordinary taxes, and it then may become necessary and proper to call upon those of large incomes for an increased contribution of their incomes to help meet the Government obligations.

When our Government became involved in the World War, I think it was proper and necessary to resort not only to a heavy graduated income tax but to any other extraordinary levies that might be needed to prosecute the war. And I voted for all the war revenue laws.

And now and for many years to come I believe it will be necessary and proper to retain the graduated income tax as a part of our fiscal system in order to liquidate the extraordinary Government obligations that have resulted from the war. But I believe that we should repeal all war taxes just as rapidly as it can be done consistent with a balanced Budget.

I am in favor of the various provisions in this bill repealing the war taxes on telegraphs, telephones, and the other special direct taxes, and I believe that we should remove the special taxes from automobiles and automobile parts just as soon as we find that we can finance the Government without them.

Consistent with my views as to the correct principles of an income tax I believe the high surtaxes that have been heretofore levied are no longer justified and should now be reduced, and I believe we should continue to reduce the high surtaxes and even the normal income taxes just as rapidly as we can liquidate our national obligations and reduce the requirements of the National Budget.

As I have said, I have made no special study of the taxing problem. But practically all of those who have spoken during this debate have asserted that most taxes are passed on by the taxpayer to the consumer.

What reading I have done and what study I have been able to give to the subject has convinced me that as a general

principle this is true, and is particularly true of income taxes. Most of the things we have to have under modern conditions of living are manufactured or produced, or at least are assembled and sold by men or corporations of large means and incomes. And, therefore, so long as the Government levies large income taxes such taxes will in the very nature of things be passed on to the consumers and become a part and a substantial part of the prices we all have to pay for what we buy. Therefore, I do not believe it is wise to continue high income taxes any longer than is absolutely necessary to meet the necessities of the Government.

I believe that a substantial reduction in income taxes, and particularly in the surtaxes, will eventually result in a general lower price level on all the things we have to buy, and therefore I am in favor of reducing the normal tax and the surtax as recommended by the Secretary of the Treasury and President Coolidge, for three reasons:

First. Because I think it is right in principle.

Second. Because I believe that it will benefit all the people of the country by eventually leading to a reduction in price levels.

Third. I believe it will tend to divert capital from tax-exempt investment into taxable industrial development and so contribute to a general industrial improvement of the country.

I believe it is true, as has been argued here during this debate, that high surtaxes have a tendency to drive capital into tax-exempt investment. If men of large means have a chance to make large profits and do not have to contribute so much of their earnings to the Government they will invest in industry, I think, and will not seek tax-exempt investment. There is no doubt in my mind that this will have a tendency to add to the employment of labor, to better wages, and to the increase of our national wealth and prosperity. And this is the third reason why I am in favor of a substantial reduction in income taxes.

I do not favor a reduction of income taxes as a benefit to those who have to pay them. I do not believe that motive should actuate us in our consideration of this question. Income taxes should be reduced for the benefit of those who do not pay them, for the benefit of the entire country, rather than for the benefit of the comparatively few who have to pay them. But the mere fact that by reducing the income-tax schedules we may directly benefit those who have to pay them should not deter us from doing so if, as a result, all of the people will be thereby indirectly benefited. I have no interest in the rich. So far as I know there are none in the district I represent who have to pay any of the higher income taxes. So my views are not influenced by either personal or political considerations.

Last week we had before us a resolution proposing an amendment to the Constitution which would have prevented the further issuance of tax-exempt securities. I took no part in the discussion on that resolution, but I have very positive views upon that subject. I believe that it is a mistake for any considerable amount of property to be exempted from contribution to the support of the Government. Exemption from taxation is wrong in principle. It has heretofore been necessary in this country because of our dual form of government. It was natural and proper that the securities of the States could not be taxed by the Federal Government and that the securities of the Federal Government could not be taxed by the States. But this fundamental and necessary principle under our system of government has become so abused and has led to such an extension of tax-exempt property, both under the Federal Government and under the States, that it has, in my judgment, become a positive menace to the Republic.

Congress has exempted securities issued under the authority of the Federal Government for this reason or for that, and often as a favor to one class or another, until there are now and will continue to be increasing groups or classes of our people who will demand exemption from taxes.

The whole system is wrong in principle, and, I think, will some day threaten the existence of the Republic, and it will only be a short time until the people of this country will arise and demand that the principle of tax exemption be abolished and the practice be discontinued.

I voted in favor of the resolution for a constitutional amendment to prohibit the issuance of tax-exempt securities, and I predict that it will only be a short time until our Democratic friends and the others who voted against that resolution will regret it. It is wholly inconsistent, I think, with a continuance of our graduated income-tax system, and has become a national evil.

One of the most potent and direct causes of the French Revolution was the evil of tax exemption. Under the French

system the property of the clericals and of the nobles was by law exempt from taxation. Every effort to compel the clericals and the nobles to bear their just part of the burdens of the Government proved futile. The poorer people had to bear all the burdens of government; they were reduced to desperation and starvation and they finally rose in revolt. It was a revolt against unbearable conditions, and chief among these was the fact that the nobility and the clergy were wholly exempted from taxation.

I do not believe that the rich should be exempted from taxation or should have the privilege of investing their wealth in tax-exempt property. It should be stopped by a constitutional amendment and Congress should never authorize the issuance of any more tax-exempt securities. We should stop their issuance and should eliminate from this country just as rapidly as can be done under our constitutional limitations all forms of tax-exempt property.

Let me illustrate briefly what I consider to be the unfairness as well as the evil of the graduated income tax, and this unfairness and evil increases in my judgment in proportion as the surtaxes are increased.

I find in consulting the pamphlet issued by the Treasury Department on income-tax statistics that for the year 1921 the States of New York, Pennsylvania, and Illinois paid in the aggregate a little over \$364,000,000 in personal income taxes. The total personal income taxes collected from all the States in the same year were \$719,387,000 plus. So that the three States of New York, Pennsylvania, and Illinois together paid something more than half of the total personal income tax of the country, and yet those States had but 6 of the 48 Senators and but 106, or some less than one-fourth, of the total number of Representatives.

I find that the States of New York, Pennsylvania, Illinois, and Massachusetts together paid \$349,852,000 plus in corporation income taxes for the year 1921, whereas the total corporation income taxes collected from all of the States was \$701,575,432. So that those four States alone contributed practically as much of the corporation income taxes as were contributed by all of the other 44 States, and yet they only had 8 Senators out of the 48, and 122 out of the 435 Representatives.

I find that the State of Rhode Island, which only has 3 Representatives here in this House, paid \$8,448,000 in corporation income tax for that year, while the State of Minnesota contributed practically the same amount, or \$8,476,750, and has 10 Representatives in this House. In other words, Minnesota has over three times as much representation in this law-making body as the State of Rhode Island, but contributes substantially the same amount in corporate income taxes.

Rhode Island paid in personal income surtaxes in 1921, \$6,645,219 and had but 3 Members in this House; while Texas paid but \$4,832,438 and had 18 Members here. Ohio paid \$19,435,319 and had 22 Members in the House. Oklahoma paid but \$1,544,875 and yet had 8 Members here. North Dakota paid only \$93,698 but had 3 Members. So Rhode Island paid 71 times as much of the personal surtaxes collected that year as did North Dakota, but only had the same number of Members in the House. Arizona paid only \$96,798, or about one sixty-sixth of the amount paid by Rhode Island, but had one-third as much representation in this House.

I might go on and cite any number of similar illustrations showing that under our prevailing income-tax system the States are not and can not be represented in the legislative branches of our Government in anything like the proportion they bear of the burdens of the Government.

No student of affairs can deny that that is an evil and contains such possibilities for abuse as to constitute a real danger to the Republic.

Those States which contribute practically nothing, or only a small part of the tax burdens of the country, will always have a decided majority in the Senate and the House of Representatives, and therefore they will have it in their power, if they should choose to do so, to increase the tax burdens on the others until they amount to a confiscation. And if the time comes that a majority in this House and in the Senate should be of the same political opinion as is that of a small group in the House and in the Senate at this time, I have no doubt that our income-tax system will be so abused and I fear it will be used as a mask to confiscate the wealth of the minority.

Our forefathers were willing to sacrifice all and fight to prevent taxation without representation. Under our system of a highly graduated income tax we now have representation without taxation, and I regard that as an evil second only to taxation without representation.

I hope that a spirit of moderation may guide us and that Congress may get rid of all war taxes just as rapidly as can be done and that our income-tax schedules may be reduced just as low as possible consistent with the financial needs of the Government.

Mr. GREEN of Iowa. Mr. Chairman, at the close of the general discussion of the bill I want to say that I have observed that in the heat of debate there has been a considerable amount of personalities flung about. Gentlemen are aware that, so far as I am concerned, I never indulge in personalities that in any way reflect upon any Member unless he first pounces on me.

The gentleman from Texas [Mr. GARNER], in opening the discussion on the bill, made some reference to myself, but what he said later on indicated that what he had said at the beginning was entirely in a facetious vein, and therefore I will reply to it in that same manner. He said something with reference to my courage. I shall have to admit that I have not as much courage as the gentleman from Texas. I have not the courage or the nerve to bring into this House a bill to plunge the Treasury into a deficit of \$200,000,000. [Applause.] That is what might be called "the valor of ignorance."

So far as the gentleman from Missouri [Mr. HAWES] is concerned, who paid so much attention to me in the course of his remarks, I have not the slightest feeling against him. On the contrary, I am disposed to say that I sympathize with him in his situation at this time, when he bewails that he is not allowed to vote his views, being tied down by the Democratic caucus. From what he says, apparently he believes that a Member of this House must be either a slave to a caucus or a rubber stamp for the administration. I decline to be either, and I will leave the gentleman to flounder in the morass into which he has fallen and to make his explanations, if he can, to his constituents. If they accept his explanations, they are less intelligent than I thought they were. [Applause.]

Mr. Chairman, I demand the reading of the bill.

The CHAIRMAN. The Clerk will read the bill for amendment.

The Clerk read as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I.—GENERAL DEFINITIONS.

SECTION 1. This act may be cited as the "Revenue act of 1924."

Mr. GREEN of Iowa. Mr. Chairman, I ask unanimous consent that section 2, which is all definitions, be read in its entirety before amendments are offered.

Mr. FREAR. Right in that connection, in connection with that, Mr. Chairman, I wish to offer an amendment.

The CHAIRMAN. The gentleman from Iowa asks unanimous consent that section 2 be read in its entirety. Is there objection?

Mr. GREEN of Iowa. And that after its reading an amendment to its provisions may be offered.

Mr. GARRETT of Tennessee. Does the gentleman mean that it shall be read as a section rather than by paragraphs?

Mr. GREEN of Iowa. Yes; but amendments may be offered to any paragraph when the reading is completed. But I will withdraw the request if there is going to be any objection. Mr. Chairman, I withdraw the request, and ask that the Clerk read.

Mr. CHINDBLOM. Mr. Chairman, I would like to make a parliamentary inquiry as to the change of the rule made some time ago with reference to a revenue bill. Should a revenue bill now be read by sections or by paragraphs?

The CHAIRMAN. The Chair is of opinion that it should be read by paragraphs.

Mr. GARRETT of Tennessee. Of course it should be read by paragraphs; but does the gentleman from Illinois know that the so-called change of the rule did not in any way affect a revenue bill or its reading?

Mr. CHINDBLOM. Mr. Chairman, may I propound a further inquiry for information? As I understand it, a revenue bill now stands on the same basis as any other piece of legislation brought into the House. Would the Chair care to express an opinion on that?

The CHAIRMAN. That is the general opinion of the Chair. Mr. GARRETT of Tennessee. If the Chair will permit me, it has now exactly the same status that it has had heretofore.

Mr. CHINDBLOM. Before the adoption of the Underwood rule?

Mr. GARRETT of Tennessee. Certainly. The Underwood rule did not affect a revenue bill at all. This is a tax bill. It did affect tariff bills.

The CHAIRMAN. The Clerk will read.
The Clerk read as follows:

(f) The term "shareholder" includes a member in an association, joint-stock company, or insurance company.

Mr. FREAR. Mr. Chairman, I offer an amendment as subdivision (g).

The CHAIRMAN. The Clerk will report the amendment offered by the gentleman from Wisconsin.

The Clerk read as follows:

Amendment offered by Mr. FREAR: Insert after line 12, page 4, a new subdivision "(g). The term 'taxable income from whatever source derived' shall include all incomes received from every source, including Federal, State, and municipal securities, except where specifically exempted by act of Congress, and shall be laid and collected the same as all other taxes."

Mr. GARRETT of Tennessee. Is the gentleman from Iowa going to reserve a point of order?

Mr. GREEN of Iowa. Yes; I will reserve a point of order. I do not think it is germane.

The CHAIRMAN. The gentleman from Iowa reserves a point of order. The gentleman from Wisconsin is recognized.

Mr. FREAR. Mr. Chairman, I have submitted this amendment to parliamentarians, who have advised me that it is germane, and I am hoping it is, although I will admit the phraseology may be subject to amendment.

Mr. BLACK of Texas. Mr. Chairman, I think this amendment is such an important one that we might as well thrash out the point of order right now. If it is in order there are others of us who want to speak in favor of the amendment, I am sure. However, I do not wish to interrupt the gentleman if he would prefer to make a statement now.

Mr. FREAR. I will make just a brief statement in regard to it and then the point of order can be discussed, if the House so desires.

We have recently spent two or three days in the discussion of a constitutional amendment to exempt tax-free securities. It was conceded on all sides that even though that amendment should be adopted in a few years it would not reach securities which are in existence to-day—that is, municipal bonds and other bonds which have been sold heretofore—in other words, it would not destroy the opportunity for tax evasion which has been complained of as to those who should pay high surtaxes but who seek that means of investing their money. For that reason this amendment is offered at this point; that is, for the purpose of calling the attention of the Secretary of the Treasury to the fact that these bonds are to be taxed.

The Supreme Court, as I have stated before—and I have inserted briefs in the RECORD from eminent men as well as letters from the men who tried the nearest case in the Supreme Court of the United States—has never decided this question. In view of that fact, and in view of the difficulty of presenting a special bill covering the subject, it occurs to me that the best means of trying out the question is to place it right here in the bill, and then at the conclusion of the bill, if gentlemen desire to put anything in the bill regarding the constitutional effect of the terms of the bill, that can be done without affecting the bill proper.

Mr. ROSENBLUM. That is already in the bill.

Mr. FREAR. Then there will not be any difficulty in that respect. I have made no particular preparation for getting this before the House, because it comes so early in the bill, and I do not care to take up too much time of the committee; but I have asked to have the amendment inserted at this point in the bill as the proper place and only proper place. As I have said, the phraseology may be changed by amendment, if the House so chooses.

Before I drafted the amendment I discussed it with the gentleman who is the parliamentarian for our committee—a very able man and formerly parliamentarian of the House [Mr. CHASE], whom we all respect; I do not know whether he is here, because I have been too busy to ascertain. But he told me that in his judgment it could unquestionably be inserted at this point; that it was germane, was proper for discussion, and was a proper amendment to offer.

I will not discuss the merits now, because the question is familiar to all of you, except to say that it will reach the \$20,000,000,000 now in existence, or whatever amount it may be, without waiting, as we proposed heretofore, for a constitutional amendment. If this amendment is adopted, it will then be for the Supreme Court to decide whether or not it is constitutional.

Mr. HASTINGS. Mr. Chairman, this is such an important amendment that I think we should have it reported again.

The Clerk again read the amendment.

Mr. GREEN of Iowa. Mr. Chairman, I make the point of order that the amendment is not germane to the part of the bill to which it is offered. I call the attention of the Chairman, first, to the fact that there is no such expression as "taxable incomes" contained in the bill. On pages 34 and 35—which show all of the items that are to be included as income under the bill—gross income is defined; it is defined in section 213. The proper place for the amendment to be offered is on one of those pages. I have no disposition to prevent the gentleman from Wisconsin from presenting his amendment at the proper time and in the proper way, although not in the form he now has it, which would be on page 35, by striking out certain expressions at the bottom of page 35 which now exempt the items which he seeks to have taxed as income, and inserting a provision such as he now presents.

Mr. FREAR. I believe that is a perfectly proper suggestion. I had not realized that gross income is referred to here, and I accept the gentleman's suggestion unless there is objection.

Mr. GARNER of Texas. Let me call the attention of the gentleman from Wisconsin to one point. Of course, I think the proposition should be reached on page 35, but in the administration of this law, if the Attorney General should render an opinion to the Treasury Department to the effect that the income from State and municipal bonds is not taxable, then the mere striking out of the provision on page 35 would not make them subject to taxation, because the ruling of the Treasury would defeat the proposition. Now, if the gentleman from Wisconsin wants to direct the Treasury Department, in spite of an opinion by the Attorney General, to levy a tax upon such incomes, I think his amendment in some form is necessary, because the gentleman will recall that in the discussion of this matter in the committee we asked the representative of the Treasury Department whether, if we omitted the provision exempting State securities, they would impose the tax, and he said they would not, because the Attorney General would advise the Treasury Department that such a tax was not constitutional. So if the gentleman wants to reach that, in spite of the ruling of the Treasury Department, I think his amendment ought to go in on page 35.

Mr. HILL of Maryland. A parliamentary inquiry, Mr. Chairman.

The CHAIRMAN. The gentleman will state it.

Mr. HILL of Maryland. Mr. Chairman, would it be in order here to offer a substitute for the gentleman's amendment and have it ruled on at the same time as to being in order?

Mr. FREAR. If the gentleman from Maryland will yield, let me offer a perfecting amendment.

Mr. GARNER of Texas. If the gentleman will permit, it has been suggested that the gentleman from Wisconsin can reach his objective by inserting on page 35 an affirmative proposition, and if the House should adopt that, then of course the Treasury Department will act accordingly. I understand from the expert draftsman, Mr. Beaman, who is with the chairman now, that the proper place for this amendment, if the House desires to adopt it, would be on page 35, as an affirmative proposition. With that understanding, I think the gentleman can forego his amendment here.

Mr. FREAR. I withdraw the amendment.

Mr. BLANTON. Mr. Chairman, will the gentleman withhold that just a moment?

Mr. FREAR. Yes.

The CHAIRMAN. For what purpose does the gentleman from Texas rise?

Mr. BLANTON. I want to be heard a moment on the pending point of order made by the gentleman from Iowa [Mr. GREEN].

Mr. CHINDBLOM. Mr. Chairman, I make the point of order that if the gentleman wants to withdraw the amendment, it is unnecessary to discuss it.

Mr. FREAR. I am withholding that for one moment.

The CHAIRMAN. The gentleman from Texas is recognized.

Mr. BLANTON. I want to suggest to the Chair that we have four pages of definitions, first general definitions and then definitions beginning on page 3, under general provisions, and I want to suggest to the gentleman from Wisconsin that if he desires this to go into the bill and become the law his definition ought to go in right where he offers it and nowhere else in the bill. It follows all of the other definitions, and if he expects to get relief along the line he is now suggesting he ought not to withdraw this amendment. It is not subject to a point of order. It is a definition that comes as a matter of right under these four pages of definitions, and I hope the gentleman will not withdraw it.

Mr. FREAR. Mr. Chairman, I ask that I may offer the additional words, after the word "term," "gross income includes," as a perfecting amendment, so that it will read "the term

'gross income' includes taxable incomes from whatever source derived," and so forth.

The CHAIRMAN. The gentleman from Wisconsin asks unanimous consent to modify his amendment in the manner indicated. Is there objection? [After a pause.] The Chair hears none. The gentleman from Wisconsin offers a perfecting amendment, and the Clerk will report the amendment as sought to be modified.

The Clerk again reported the amendment as modified by the perfecting amendment.

Mr. GREEN of Iowa. Mr. Chairman, I renew the point of order. The term "gross income" is found on page 34 of the bill, and that is the place where this amendment should be offered.

The CHAIRMAN. Does the gentleman from Iowa desire to be heard on the point of order?

Mr. GREEN of Iowa. I do not think it is necessary to argue the point.

Mr. GARNER of Texas. Mr. Chairman, I want to disagree with the gentleman from Iowa. A matter of definitions can be inserted anywhere in this bill. Merely because it would come in at a different point and make it more artistic or more in line with a particular section under consideration does not alter the fact that you can undoubtedly insert in any portion of this bill a definition, and that is all the gentleman from Wisconsin undertakes to do—that is, to define some particular term that is used in the bill, and he defines the term "gross income." That certainly would be in order at any portion of this bill. If the committee can not insert a definition, then a point of order could be made against about 75 per cent of this bill, because about 75 per cent of it is definitions of various kinds, including gross income, deductions, and miscellaneous matters.

Mr. GREEN of Iowa. The proposition of the gentleman from Texas is that when the bill specifically covers a subject in some part of it that anybody can offer an amendment anywhere they want to and put it in the bill at any place, no matter whether the bill specifically refers to it or not.

Mr. GARNER of Texas. I submit, Mr. Chairman, it is in order to offer it anywhere you want to. The committee might not want to insert it at this particular place because it might not be in the best of form, but they have a right to insert a definition in any portion of the bill. I think undoubtedly that is the purpose of the committee.

Mr. GARRETT of Tennessee. Mr. Chairman, will the gentleman from Texas yield? Do the definitions that go before change existing law?

Mr. GARNER of Texas. Oh, yes; the definitions, of course, change existing law. That is the object of this bill—to change existing law—and these definitions are amendments of the existing law. You will find throughout this bill changes of definitions from the present law. That was one of the objects of the bill.

The CHAIRMAN. The Chair is ready to rule on the matter. The rule has always been, ever since 1822, and has been repeatedly held by succeeding Speakers and Chairmen from that time, that amendments to be germane must not only be germane to the subject matter of the bill but also to the paragraph where offered. That is the rule now. This particular part of the bill is headed "Definitions," and thus far in the reading certain terms are defined—for instance, "fiduciary," "withholding agent," "paid or incurred," "stock," and "shareholder"—giving a definition of the terms as they are used in the bill. When this amendment was first presented, the Chair on hearing it read was of the opinion that it was a definition and therefore proper and germane at this time. That would be true if it were not for the closing language of the amendment, "and shall be laid and collected the same as all other taxes." Manifestly this goes beyond a definition and imposes a tax, or attempts to impose a tax. If so, and if it is germane to the subject matter of the bill, upon which the Chair will not pass at this time, it ought to be offered to some other section. If the amendment were without this language it would be proper at this time. Having this language in it, the Chair is of the opinion that it is subject to the point of order, and therefore sustains the point of order.

Mr. FREAR. Mr. Chairman, I offer another amendment.

The CHAIRMAN. The gentleman from Wisconsin offers an amendment, which the Clerk will report.

The Clerk read as follows:

Amendment offered by Mr. FREAR: Insert, after line 12, page 4, a new subdivision: "(g) The term 'gross income, including taxable incomes from whatever source derived,' shall include net incomes received from every source whatever, including Federal, State, and municipal securities, except where specifically exempted by act of Congress."

Mr. FREAR. That complies, Mr. Chairman, with the suggestion which came from the Chair.

Mr. HILL of Maryland. I offer a substitute for that amendment.

The CHAIRMAN. The gentleman from Maryland offers a substitute, which the Clerk will report.

The Clerk read as follows:

Amendment offered by Mr. HILL of Maryland as a substitute to the amendment offered by Mr. FREAR: Page 4, line 12, add:

"(g) The term 'taxable income' shall include and the United States shall have power to lay and collect taxes on income derived from securities issued, after the passage of this act, by or under the authority of any State, but without discrimination against income derived from such securities and in favor of income derived from securities issued, after the passage of this act, by or under the authority of the United States or any State.

"(h) Each State shall have the power to lay and collect taxes on income derived by its residents from securities issued, after the passage of this act, by or under the authority of the United States; but without discrimination against income derived from such securities and in favor of income derived from securities issued, after the passage of this act, by or under the authority of such State."

Mr. MADDEN (interrupting the reading). Mr. Chairman, I make a point of order against the amendment.

The CHAIRMAN. The clerk has not finished the reading of the amendment.

Mr. MADDEN. I have heard enough reading, Mr. Chairman, to know what it is about.

The CHAIRMAN. The Clerk will conclude the reading of the amendment.

The Clerk concluded the reading of the amendment.

Mr. GREEN of Iowa. Mr. Chairman, I make the point of order that the matter is not germane to the section, or to the paragraph, or to the amendment.

The CHAIRMAN. The point of order is sustained.

Mr. BLACK of Texas rose.

The CHAIRMAN. For what purpose does the gentleman rise?

Mr. BLACK of Texas. Mr. Chairman, I am going to support this amendment because I believe it was clearly the intent of the States when they adopted the sixteenth amendment, and it was clearly the intent of Congress when it submitted the amendment, that income from whatever source derived shall be taxed. The early case of Collector against Day, decided in 1871, held that the salary of a State official could not be taxed as income notwithstanding there was no prohibition against it in the Federal Constitution.

Of course, in the brief time I now have at my disposal I would not have time to review the reasons advanced by the court. In the case of Pollock against The Farmers' Loan & Trust Co., a decision of very much later date, two propositions were decided. One was that the income tax levied upon income from property was a tax against the property itself and therefore a direct tax, and that no direct taxes could be levied by Congress unless they were apportioned among the several States according to population. The court also held in that case as another and separate principle that the income from State and municipal securities was not taxable. Therefore what were the propositions that Congress sought to cure by submitting the sixteenth amendment? There was two as I see it. One was that in the levying of income taxes Congress must observe the rule of apportionment as provided in the Constitution for direct taxes. Another was that the power of Congress to tax income was limited as to certain sources of income by reason of the decision in the case of Collector against Day, and by reason of the decision in the case of Pollock against The Farmers' Loan & Trust Co. Therefore what is the reading of the amendment by which we sought to cure those two things which had arisen by the decisions of the Supreme Court? Here is the language of the amendment:

That Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several States, and without regard to any census or enumeration.

Now, why have we the right to assume here, why should we indulge the speculation that Congress sought by that language to correct only one of the things which had prevented the taxing of incomes?

Mr. DENISON. Will the gentleman yield?

Mr. BLACK of Texas. I regret I can not yield to my friend; I have only five minutes. I submit this to any fair-minded man in the House that if Congress had intended only to correct one phase of the income-tax question which existed at that time, to wit, the matter of apportionment of the tax, the amendment need only have read as follows: "The Con-

gress shall have power to lay and collect taxes on incomes without apportionment among the several States, and without regard to any census or enumeration."

As a matter of fact, gentlemen, the original form of the amendment was in the language which I have just suggested. I do not mean as passed by Congress and submitted to the States, but I mean as the amendment was originally drafted. But when it was presented to Congress in its final form for submission to the States, it carried the language "incomes from whatever source derived."

If these comprehensive words do not include all classes of income, including the income derived from State and municipal securities, then what was the purpose of using them at all?

I will admit that the Supreme Court in some cases which have been decided since the adoption of the sixteenth amendment, notably the case of *Evans against Gore*, has by obiter dictum expressed as the view of the court that the power of Congress to tax was not broadened, in so far as the classification of incomes is concerned, by the sixteenth amendment, but that it was only given the authority to levy the tax without apportionment among the States. The case of *Evans against Gore* did not decide the exact point in question, and I am in favor of putting the matter up to the court again for its decision. Chief Justice Marshall in one of his celebrated cases lays down the correct rule as to the weight which should be given to obiter dictum. He says: "It is a maxim not to be disregarded that general expressions are to be taken in connection with the case in which those expressions are used. If they go beyond the case, they may be respected, but ought not to control the judgment in a subsequent suit when the very point is presented for decision."

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. GARRETT of Tennessee. I ask that the gentleman's time be extended five minutes.

Mr. GREEN of Iowa. Does the gentleman realize when we are going to get through if time is extended in that way?

The CHAIRMAN. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

Mr. GARRETT of Tennessee. As the amendment reads it includes taxable incomes from whatever source—Federal, State, and municipal securities, except where it is specifically exempted by act of Congress. Does the gentleman from Texas mean that he is willing to permit without any action at all on the part of the State or municipalities taxation of securities that they issue?

Mr. BLACK of Texas. I will say to the gentleman from Tennessee—

Mr. GARRETT of Tennessee. This is entirely different from the amendment to the Constitution.

Mr. BLACK of Texas. The position I take is that it was the intent of the sixteenth amendment to give Congress the power to tax income from all sources. As I understand the amendment proposed by the gentleman from Wisconsin it simply says that in the term "taxable income" shall be included income from Federal, State, and municipal bonds.

Mr. GARRETT of Tennessee. Except where specifically excepted by act of Congress. It is an entirely different proposition from even the constitutional amendment that was voted on the other day. This puts, or attempts to put, in the actual control of Congress the taxation of securities without any reciprocal rights.

Mr. BLACK of Texas. As I have just called attention this pending amendment is not like a constitutional amendment; it is simply a definition of what shall be included in taxable income, and if it does not set out any exemptions in the law, there would not be any.

Mr. GARRETT of Tennessee. If the gentleman will permit, it does provide—and, of course, if we vote for it, we will proceed upon the ground that it is constitutional—it does provide that the Congress may or may not exempt income from securities issued by the State, county, or municipality from taxation.

Mr. BLACK of Texas. That would be surplus language, as I understand. It would not have any effect on any of the constitutional powers of Congress.

Mr. GARNER of Texas. Mr. Chairman, will the gentleman from Texas yield to a suggestion?

Mr. BLACK of Texas. Yes. I gladly yield to my colleague.

Mr. GARNER of Texas. This definition in this bill applies to the rates that are in this bill.

Mr. BLACK of Texas. Surely. The definition could not possibly have application to any other.

Mr. GARNER of Texas. And it is a definition and refers to the rates that are fixed in this bill, applying to that particular income. It does not add a thing in the world to the power of Congress, except to levy the taxes in this bill against the particular income referred to.

Mr. BLACK of Texas. That is the way I understand it.

Mr. NEWTON of Minnesota. Mr. Chairman, will the gentleman yield?

Mr. BLACK of Texas. Yes.

Mr. NEWTON of Minnesota. I sympathize with the views of the gentleman. I talked somewhat about this a week ago. The definition as submitted here by the gentleman from Wisconsin [Mr. FREAR] would take in all municipal, State, and National securities, so that where a State has sold its securities with an express provision that they shall be free from taxation, the income from those bonds would be subject to tax.

Mr. BLACK of Texas. As I understand it, no State writes into its bonds any exemption except as to State taxes. Of course, this amendment proposed by the gentleman from Wisconsin does not undertake to interfere with any State tax, and no State, so far as I know, has ever taken the liberty to write into its bonds a statement that the bond is exempted from Federal taxation. The bond buyer may, under the obiter dictum of the Supreme Court in the case of *Evans against Gore*, and other cases, buy with the expectation that it is beyond the power of Congress to tax the income from such securities, but he has no possible guaranty to that effect, any more than I have a guaranty or any other property holder has a guaranty that his property will never be taxed at a higher rate.

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. GREEN of Iowa. Mr. Chairman, I rise in opposition to the amendment. Gentlemen of the House will recognize at once that this amendment goes far beyond anything contained in the proposed constitutional amendment which was before this House a few days ago and voted down. It would put immediately under all of the taxation provisions of this bill State bonds, municipal securities that had been issued on the faith and credit that they were exempt from taxation—something I never proposed, although I very strongly supported the constitutional amendment, and something which I do not think ought to be done under any circumstances.

Mr. MOORE of Virginia. Mr. Chairman, will the gentleman yield?

Mr. GREEN of Iowa. Yes.

Mr. MOORE of Virginia. Would it not certainly give the Government of the United States the rights to tax the income from any State or municipal securities now in existence or hereafter issued?

Mr. GREEN of Iowa. Yes; and it would do more.

Mr. MOORE of Virginia. And at the same time put the Federal Government in a position, if it so desired, to relieve its own securities absolutely from being subject to taxation.

Mr. GREEN of Iowa. It could either tax its own securities or not tax them, but it would immediately put under taxation all of the State and municipal securities that had been issued.

Mr. FREAR. The gentleman does not mean that it would tax the bonds but the income derived from the bonds.

Mr. GREEN of Iowa. I accept the correction of the gentleman from Wisconsin. It would tax the income from the State and municipal bonds already issued. It would immediately put them under taxation fixed in this bill. Mr. Chairman, I do not care to discuss this case of *Evans against Gore* or the numerous cases of the Supreme Court which have decided that the sixteenth amendment did not add any new subject to those heretofore specified for taxation under the Constitution but simply provided that hereafter income taxes could be levied without apportionment.

While I did not agree with that decision at all, at the same time there was much to be said in favor of the position which the court took. It was this: That the United States always had the power to levy an income tax by apportioning it among the several States. For that reason it is said the words "from whatever source derived" in the amendment meant nothing, that the force of the amendment all turned upon the expression "without apportionment among the several States," which was the only additional power needed, and that the only effect of the amendment was to do away with the necessity of apportionment.

This decision was not dicta. The Supreme Court in *Evans against Gore* proceeded in the first place to determine whether a constitutional amendment was necessary in order to levy a tax on the salaries of Federal judges. They decided that a constitu-

tional amendment was necessary. That brought it up to the point where it was necessary to determine whether the sixteenth amendment covered the case, and the court said that it did not. Why? Because it involved a judge's salary? No; but on the principle that the sixteenth amendment did not extend the authority of Congress to any new or additional subjects of taxation.

Mr. MOORE of Virginia. And the gentleman has noted the fact that the Supreme Court in rendering its decision in the Evans-Gore case referred to and reviewed all of the authorities which have been cited by the gentleman from Texas [Mr. BLACK] this morning.

Mr. GREEN of Iowa. Oh, yes; and others, because that same principle had been asserted in several other cases—the Brushaber case, for example. It also reviewed, as the gentleman from Virginia [Mr. MOORE] says, the cases which were thought to lean toward a contrary view.

Mr. GARNER of Texas. Mr. Chairman, will the gentleman yield?

Mr. GREEN of Iowa. Yes.

Mr. GARNER of Texas. If I understand the difference between this proposition and the proposed amendment to the Constitution it is this: That if the amendment of the gentleman from Wisconsin should be adopted, the Congress would undertake to tax at the rates specified in this bill the income from State and municipal bonds.

Mr. GREEN of Iowa. All of them.

Mr. GARNER of Texas. Now existing or in the future to be issued.

Mr. GREEN of Iowa. Certainly.

Mr. GARNER of Texas. And the gentleman's amendment to the Constitution proposed to tax those issued in the future?

Mr. GREEN of Iowa. Yes.

Mr. GARNER of Texas. Was it not the opinion of the gentleman from Iowa that Congress had that power?

Mr. GREEN of Iowa. It was until the decision in the case of Evans against Gore.

Mr. GARNER of Texas. I know that the gentleman from Iowa was very anxious that these incomes should be taxed. Since the Supreme Court has not specifically decided that question and it is still a debatable one, why not give them a chance to pass upon it now? [Applause.]

The CHAIRMAN. The time of the gentleman from Iowa has expired.

Mr. GREEN of Iowa. Mr. Chairman, I would like to have two minutes.

Mr. GARNER of Texas. Mr. Chairman, I ask for recognition for the purpose of answering the gentleman.

Mr. GREEN of Iowa. Mr. Chairman, I ask for two minutes additional.

The CHAIRMAN. The gentleman from Iowa asks unanimous consent to proceed for two minutes. Is there objection?

There was no objection.

Mr. GREEN of Iowa. I will undertake to make clear to the gentleman from Texas [Mr. GARNER] that the Supreme Court did decide that question and decided it just as expressly and as positively as it could, and I have never found a lawyer that I could sit down for an hour with whom I could not convince that it had that effect. The decision is not an obiter dicta. It had to decide the question, and it decided it in a broad and sweeping manner.

Mr. BLACK of Texas. The principle contained in the Evans-Gore case was that there was a conflict between the two provisions of the Constitution, to wit, the sixteenth amendment and that provision which prohibited the Congress from diminishing the salary of a Federal judge during his term of office. Was not that it?

Mr. GREEN of Iowa. That is not the effect of it. Evidently the gentleman has not read it recently.

The CHAIRMAN. The time of the gentleman from Iowa has expired.

Mr. HILL of Maryland. Mr. Chairman, the question underlying the debate is whether the sixteenth amendment means what it says. It says:

The Congress shall have power to lay and collect taxes on incomes from whatever source derived, without apportionment among the several States, and without regard to any census or enumeration.

The case of Evans against Gore is conceded to be the controlling case on the interpretation of this amendment. The conflicting views on this case have just been expressed by the gentleman from Texas [Mr. BLACK] and the gentleman from Iowa [Mr. GREEN] as follows:

Mr. BLACK of Texas. The principle contained in the Evans-Gore case was that there was a conflict between the two provisions of the Constitution, to wit, the sixteenth amendment and that provision which prohibited the Congress from diminishing the salary of a Federal judge during his term of office? Was not that it?

Mr. GREEN of Iowa. That is not the effect of it. Evidently the gentleman has not read it recently.

Having read the case of Evans against Gore several times in the last few days, I would like to say to the gentleman from Texas [Mr. BLACK] that, in my opinion, his interpretation of the decision in the case of Evans against Gore is correct. There were two provisions in the Constitution that were in conflict, and what the court decided in the case of Evans against Gore was that the sixteenth amendment did not wipe out the former provision. The Supreme Court did not decide the sixteenth amendment does not mean what it says as to incomes from securities.

Mr. BLACK of Texas. And Mr. Justice Holmes rendered a dissenting opinion to the effect that the views of the majority of the court in their decision were unsound, and that the tax on the judge's salary was constitutional.

Mr. HILL of Maryland. In addition to that, the dictum of the court was that the sixteenth amendment did not create new and additional forms of taxation, but in no respect did the Supreme Court pass upon the case now before us.

Mr. FREAR. The gentleman from Maryland has in his hand a letter from the same Mr. Frierson who argued the case of Evans against Gore on behalf of the United States. Here is one more authority to show that the gentleman from Iowa is wrong. Mr. Frierson is as good a lawyer as the chairman of the committee.

Mr. HILL of Maryland. And Mr. Hughes, as Governor of New York, apparently agreed with us. Mr. Chairman, the amendment that I offered, which was held to be out of order at this point in the bill, is precisely the wording of the constitutional amendment that the House passed in the last Congress, put in the form of an amendment to a bill and not as a constitutional amendment.

I voted against it as an amendment in both the Sixty-seventh and the Sixty-eighth Congresses. I favor it, however, as a law. I am opposed to further extension of the Federal power, but I believe that the sixteenth amendment extended the power when it was adopted. My proposed amendment to this pending bill is as follows:

Amendment offered by Mr. HILL of Maryland, as a substitute to the amendment offered by Mr. FREAR: Page 4, line 12, add:

"(g) The term 'taxable income' shall include and the United States shall have the power to lay and collect taxes on income derived from securities issued, after the passage of this act, by or under the authority of any State, but without discrimination against income derived from such securities and in favor of income derived from securities issued, after the passage of this act, by or under the authority of the United States or any State.

"(h) Each State shall have the power to lay and collect taxes on income derived by its residents from securities issued, after the passage of this act, by or under the authority of the United States; but without discrimination against income derived from such securities and in favor of income derived from securities issued, after the passage of this act, by or under the authority of such State."

The amendment that the gentleman from Wisconsin [Mr. FREAR] has just offered is as follows:

The term "taxable income from whatever source derived" shall include net incomes received from every source, including Federal, State, and municipal securities, except where specifically exempted by act of Congress.

As the gentleman from Tennessee [Mr. GARRETT] says, Mr. FREAR's amendment would permit Congress to tax State bonds, State securities, municipal securities, and at the same time permit an exemption of national securities. I agree with Mr. FREAR that the sixteenth amendment means what it says, but I am opposed to his proposed amendment to this bill because it taxes securities already issued as tax exempt by States.

Mr. BLACK of Texas. The gentleman realizes that it is simply declaratory, for the reason that the only thing taxed is under the surtax provided in the bill.

Mr. HILL of Maryland. I agree with the gentleman. The amendment I have offered permits the States to have the reciprocal right of taxation, if one is given to the Federal Government. It calls for a decision on the sixteenth amendment, which has not been construed on this point.

Mr. NEWTON of Minnesota. As I understand it, the gentleman from Maryland agrees with the gentleman from Texas with reference to the interpretation of the sixteenth amendment?

Mr. HILL of Maryland. He does.

Mr. NEWTON of Minnesota. "From whatever source derived" means what it says?

Mr. HILL of Maryland. Yes.

Mr. NEWTON of Minnesota. But the gentleman from Maryland holds that Congress, in enacting any legislation under the sixteenth amendment, ought to act in a reciprocal capacity and not tax State securities unless we also make Federal securities subject to State taxation?

Mr. HILL of Maryland. Yes. That is the position which the last House of Representatives took when it voted for and passed the constitutional amendment which recently failed to pass in the present House. I voted against the constitutional amendment because I thought it was not necessary, and because I did not want to extend the Federal tax power if the sixteenth amendment had not already done so.

Mr. NEWTON of Minnesota. I would like to get at these tax-free securities both ways, by constitutional amendment and by Federal enactment. If I get an opportunity I will vote on the proposition to make this not retroactive, and I hope I may be enabled to do so.

Mr. HILL of Maryland. The proposed amendment of Mr. FREAR refers to securities already issued. I do not think they can properly be taxed, since the States issued them thinking they were tax exempt. They are held by all classes of people, the poor as well as the rich.

Mr. NEWTON of Minnesota. You can not tax securities already issued by States under the surety of decisions.

The CHAIRMAN. The time of the gentleman from Maryland has expired.

Mr. HILL of Maryland. I shall vote against the Frear amendment because it taxes securities already issued by the States in good faith as tax exempt and because it does not give a reciprocal right to the States, but I hope that later in the consideration of this bill the committee itself will offer an amendment similar to mine. If they offer it, it will pass. [Applause.]

Mr. GARNER of Texas. Mr. Chairman, I want to make myself understood by the committee concerning this amendment. I doubt if it is necessary to offer this amendment at this place. The gentleman from Wisconsin [Mr. FREAR] seems to think it feasible to do so. I think, on page 35, by an affirmative amendment, the same purpose can be reached.

I think I told the committee the other day, when I had the privilege of addressing the committee, that I intended to offer an amendment of this kind, and also one to strike out the provision relieving stock dividends from taxation. I differ with the gentleman from Maryland [Mr. HILL], who has just taken his seat. I would not support the proposition he speaks of, because if I did that I would increase by \$2,000,000,000 the value of the bonds already issued. I am not willing to do that. But I am willing for the Supreme Court to pass on the question as to whether the income of State and municipal bonds now existing or to be issued in the future shall be taxed by the Federal Government.

Mr. HILL of Maryland. Mr. Chairman, will the gentleman yield for a question?

Mr. GARNER of Texas. In a moment. You say the Supreme Court will hold it unconstitutional. Well, it will not be the first time that the Supreme Court has held tax laws unconstitutional. Why do you not submit it to them if you believe in it? Why do you not try? I do not believe it is a partisan matter. I believe the Members on this side of the House do not believe in a policy that will permit the Federal Government to tax municipal bonds. But if you really believe that the income from State and municipal bonds ought to be taxed, why do you not try it?

Mr. DENISON. Will the gentleman yield?

Mr. GARNER of Texas. Yes.

Mr. DENISON. Let us assume that we put this amendment into the bill. I want to ask the gentleman from Texas this question: If we put that paragraph in, and it is submitted to the Supreme Court—which it will be, of course—and that court should hold it unconstitutional, what effect would that have on the entire bill?

Mr. GARNER of Texas. None whatever. We have a clause in the bill which provides that if the Supreme Court should hold that one line, one paragraph, or one section of the bill is unconstitutional, the balance of it is not.

Mr. DENISON. But that is not always binding on the court.

Mr. GARNER of Texas. The gentleman from Illinois has not looked up the matter. The court held a part of the last bill unconstitutional; but the balance is still the law, is it not?

Mr. HILL of Maryland. Will the gentleman yield?

Mr. GARNER of Texas. Not now, because I want to complete my statement. When my county of Uvalde issued bonds and sold them to bondholders, it did not guarantee to them that the Federal Government would not collect a tax on their incomes, did it? When Uvalde County issued bonds and sold them to purchasers in New York or elsewhere, did that county guarantee that such bonds would not be taxed? No. I say Uvalde County gave no such guaranty.

Mr. HILL of Maryland. Will the gentleman yield now?

Mr. GARNER of Texas. I will not. Now, if I felt there was an outstanding obligation I would not do it; I would not undertake to violate a solemn obligation made by the Federal Government; but I submit to you gentlemen that there is no guaranty, and never has been a guaranty, by a State or municipality that the Federal Government would not at some time collect taxes on incomes from such bonds. If the Supreme Court will permit it, why do we not do it if it is advisable to do it? I can understand why you gentlemen who do not believe in the Federal Government taxing State and municipal bonds and incomes from them will vote against it; but if it can be done and you believe it ought to be done, why not try it? [Applause.]

Mr. MILLS and Mr. RANKIN rose.

The CHAIRMAN. The gentleman from New York is recognized.

Mr. MILLS. No one is more anxious than I am to reach these securities, because I believe they do ruin our present income-tax system, but the gentleman from Tennessee [Mr. GARRETT] is quite right in pointing out to the House that under the terms of this amendment the privilege is not reciprocal. The Federal Government would have the right to tax all State and municipal securities, yet the States and municipalities could not reach Federal securities under this amendment, though they could under the constitutional amendment of last week.

That is one of the great effects. The other is this: Lawyers, of course, differ on any legal question, but the fact is that a subcommittee composed of lawyers of the Ways and Means Committee read the decisions and reached the unanimous decision, with the exception of the gentleman from Wisconsin [Mr. FREAR], that there was no constitutional power to levy this tax on State and municipal securities or the incomes therefrom, and they so reported to this House. That is the opinion of some of the best lawyers in the country as well. Now, if we levy this tax what will be the effect? Take my own State of New York. The people have voted to issue \$95,000,000 worth of bonds, \$45,000,000 for soldiers' bonus and \$50,000,000 for the improvement of our public institutions. Pass this tax and instead of issuing that \$95,000,000 worth of bonds at 4½ per cent the State of New York will have to issue them for 50 years at 5 per cent. They will pay one-half of 1 per cent on the \$95,000,000 for 50 years, and two years from now the Supreme Court will come along and declare that unconstitutional, but that will not relieve the taxpayers of my State of the burden which you will levy to-day by adopting this ill-considered amendment, which is reported to you by the Ways and Means Committee to be, in their judgment, unconstitutional.

Mr. NEWTON of Minnesota. Will the gentleman yield?

Mr. MILLS. I will in a minute, but let me finish this statement. If it is so desirable to test it out—and I believe it is desirable to test out this question—it does not seem to me beyond the ingenuity of the Congress to raise the question in some minor matter that would not affect the credit of every State and every municipality in this Union for over two years, because if you adopt this amendment you affect every bond issued for the next two years by every State, county, and municipality in this country. Why is it necessary to do that? Let the gentleman from Wisconsin use his ingenuity in drafting a measure which will raise the question only incidentally and not seriously cripple the credit of the States for the next two years, when the best lawyers in this House and the best lawyers in the country have affirmed to the House that it has not the authority to do what the gentleman from Wisconsin proposes to do.

Mr. FREAR. Mr. Chairman, I move to strike out the last word.

The CHAIRMAN. The gentleman from Wisconsin moves to strike out the last word and is recognized for five minutes.

Mr. FREAR. Mr. Chairman, I discussed this question of constitutionality in the House briefly last week. The gentleman from New York, who has just spoken, speaks of himself as one of the best lawyers in the House.

Mr. MILLS. Oh, no.

Mr. FREAR. Yes; the gentleman drags himself in every time.

Mr. MILLS. The gentleman does not.

Mr. FREAR. Let me say this: That the gentleman from New York and a 25-year-old clerk from the Treasury Department were the only two gentlemen in my presence who argued this question of constitutionality in the committee, and then the gentleman from New York immediately went to the Treasury Department that same afternoon, and the next morning it was emblazoned in all the papers of New York that I had been the only one in executive session of the committee not agreeing to the unconstitutionality of taxing so-called tax-free securities. The gentleman from New York told me so himself. And now we have the gentleman from New York, with his wonderful experience, telling us what is the law.

I have here, my friends, the opinion of the attorney, Mr. Frierson, one of the ablest lawyers in the Attorney General's office, who tried in the Supreme Court the case of Evans against Gore, and Mr. Frierson states the question of constitutionality of taxing these securities has not been decided, notwithstanding the wonderful opinion of my friend from New York, Mr. MILLS. Again, I will refer to Mr. Corwin, professor of jurisprudence of Princeton University, and I have given you the benefit of his exhaustive brief, placed by me in the Record of Saturday, February 9. I will leave it to any lawyer—lawyer, mind you [laughter]—I will leave it to anyone who will examine that brief to say if it is not better than any opinion that can be written by any member of the Ways and Means Committee.

Now, who are the wonderfully constituted lawyers of the Ways and Means Committee that can express an opinion on a constitutional question of that kind when the case has never been tried? The men I have quoted, who are lawyers of high ability, one of whom tried the case for the Government of Evans against Gore, say the matter of constitutionality has never been decided by the Supreme Court. Then why not find out? We have constantly said, and the gentleman from New York agrees with me in this—and I was found voting with him on it—that so-called tax-free securities can be bought so as to avoid any tax being placed upon large incomes. I am willing to accept an amendment, any amendment that will reach the purpose here, from the gentleman from New York, who complains about the form of my amendment, or from anyone else, but I do object to a self-constituted court, made up of the Ways and Means Committee, in executive session, trying to decide the law when the Supreme Court has never determined it according to the opinion of able men who have tried the case in the court, and other eminent men like Judge Corwin.

Mr. GARRETT of Tennessee. Mr. Chairman, with the personal differences of the gentleman from Wisconsin and the gentleman from New York I have nothing to do, and in them I have no particular interest, but I do think this amendment is a matter to be very seriously considered. I think I know what the amendment means. I may be mistaken. I think it means that if this definition is put in under the terms of the bill itself there will be laid or attempted to be laid a tax upon the incomes of securities issued by States, by municipalities, and other subdivisions of States which have not been laid heretofore.

Whether the Supreme Court decision was right or wrong I do not know, but the fact is that the Government has followed it, because they have not laid or collected taxes upon incomes from these securities.

Mr. GARNER of Texas. Will the gentleman yield there?

Mr. GARRETT of Tennessee. Certainly.

Mr. GARNER of Texas. The law specifically says you can not. That is a very good reason. The law existing to-day specifically exempts them from taxation.

Mr. GARRETT of Tennessee. You mean the 1921 law?

Mr. GARNER of Texas. Yes.

Mr. GARRETT of Tennessee. Following the decision in the other case.

Mr. GREEN of Iowa. The decision in Evans v. Gore.

Mr. GARRETT of Tennessee. And I think the law should continue so until at least the States, the municipalities, and the other subdivisions of the States have had notice that there is to be a change. [Applause.] This to my mind changes the whole economic situation. It will change the entire relations between the State and Nation much more than the constitutional amendment which the gentleman from Texas and I opposed with such vigor as we could a few days ago.

Mr. MOORE of Virginia. Will the gentleman yield?

Mr. GARRETT of Tennessee. Certainly.

Mr. MOORE of Virginia. I was about to suggest, in line with what you say, that this would be a slap in the face of every State and the political subdivision of every State which has raised money issuing its securities, or may do so.

Mr. GARRETT of Tennessee. There is not a State to-day that can levy an income tax upon a single Federal security issued. The Federal securities, certain of them, are subject to a Federal tax upon the income, but no State can lay a tax upon them.

Mr. MANSFIELD. Will the gentleman yield?

Mr. GARRETT of Tennessee. I yield.

Mr. MANSFIELD. In reply to the statement by the gentleman from Virginia that this would be a slap at every State, I would like to ask if it would be a slap to the States provided it is already covered in the constitutional amendment which has heretofore been adopted?

Mr. GARRETT of Tennessee. But the constitutional amendment was defeated the other day.

Mr. MANSFIELD. I mean the income-tax amendment—the sixteenth amendment.

Mr. GARRETT of Tennessee. But, apparently, the Government has proceeded upon the theory that it was decided adverse to the proposition of the Federal Government laying a tax upon the income from these securities.

Mr. MANSFIELD. Many bonds, however, were issued and sold before that decision of the Supreme Court, and they were evidently issued and sold and purchased by the purchasers with the constitutional amendment staring them in the face.

Mr. GARRETT of Tennessee. I do not know about the value, but let me ask my friend from Texas, for whose legal ability I have such great respect, does the gentleman believe that the Federal Government ought to tax the income of a State security without the State having the reciprocal power to tax?

Mr. MANSFIELD. I do not. I am opposed to it and if the sixteenth amendment were submitted again and I thought it carried that power I would not vote for it, but the question with me is, has it already been done?

Mr. GARRETT of Tennessee. It has not. Never yet, under any law, has the Federal Government taxed the income from a State security or a security issued by a subdivision of a State.

Mr. RANKIN. If the gentleman will yield I would like to ask the gentleman from Texas what effect this would have. If this amendment should be adopted and become the law and be upheld by the courts, what effect would it have on the incomes derived from Government bonds now outstanding, if any?

Mr. GARRETT of Tennessee. You mean Federal Government bonds?

Mr. RANKIN. Yes.

The CHAIRMAN. The time of the gentleman from Tennessee has expired.

Mr. GARRETT of Tennessee. I ask unanimous consent to proceed for five minutes.

The CHAIRMAN. The gentleman from Tennessee asks unanimous consent to proceed for five additional minutes. Is there objection? [After a pause.] The Chair hears none.

Mr. GARRETT of Tennessee. I do not know—

Mr. MADDEN. I wonder if the gentleman from Tennessee would let me ask him one question?

Mr. GARRETT of Tennessee. May I answer first the gentleman from Mississippi?

Mr. MADDEN. Certainly.

Mr. GARRETT of Tennessee. I do not know whether it would be construed that these Federal farm-loan bonds that we have already issued would come under this amendment or not. It says "except where specifically exempted by act of Congress." Of course, the Federal farm-loan bonds have been exempted by act of Congress heretofore. Whether they would have to be again exempted I do not know. Is that what the gentleman has in mind?

Mr. RANKIN. Yes; and Government bonds, bonds issued to finance the war itself, which are now outstanding.

Mr. GARRETT of Tennessee. The first Liberty loan bonds were the only ones made exempt. The others are subject, all except the first Liberty loan, to pay taxes on income now. Now I yield to the gentleman from Illinois.

Mr. MADDEN. I think the gentleman has answered the question that I was going to ask, whether the farm-loan bonds will be exempt.

Mr. GARRETT of Tennessee. The farm-loan bonds up to now are exempt; whether there would have to be another exemption by Congress I do not know.

Mr. HILL of Maryland. Will the gentleman yield?

Mr. GARRETT of Tennessee. I yield to the gentleman.

Mr. HILL of Maryland. In order to be entirely clear, the gentleman is quite sure that this amendment, if passed, would permit the taxation of the now issued State and municipal securities?

Mr. GARRETT of Tennessee. Undoubtedly, unless Congress should declare them exempt from taxation. There is no ques-

tion about the State and municipal bonds; the only question would be about the Federal land-bank bonds.

Mr. BLACK of Texas. Will the gentleman yield?

Mr. GARRETT of Tennessee. Yes.

Mr. BLACK of Texas. On page 35, line 22, of the bill is this provision: Securities issued under the provisions of the Federal farm loan act or under the provision of such act as amended.

Mr. WINGO. Will the gentleman yield?

Mr. GARRETT of Tennessee. I will.

Mr. WINGO. Before asking the question I want to read four or five lines from the opinion in Evans against Gore. This is the majority opinion of the court:

True, Governor Hughes, of New York, in a message laying the amendment before the legislature of that State for ratification or rejection, expressed some apprehension lest it might be construed as extending the taxing power to income not taxable before; but his message promptly brought forth from statesmen who participated in proposing the amendment such convincing expositions of its purpose, as here stated, that the apprehension was effectively dispelled and ratification followed.

Now, the question I want to ask is this: Did Governor Hughes in his message base his opposition, among other things, on his fear that the amendment, if adopted, would subject the income from State and municipality securities to an income tax?

Mr. GARRETT of Tennessee. My recollection is that that was the very heart of Governor Hughes's objection.

Mr. WINGO. Then the Supreme Court did specifically consider that, and their expressions would not be obiter dicta, as has been suggested.

Mr. GARRETT of Tennessee. I think so. At any rate the Treasury Department has proceeded upon the theory that that was decisive of the question. The Committee on Ways and Means proceeded upon the theory that that was decisive of the question, otherwise why would they have brought in the constitutional amendment? [Applause.] I want to say that the proposed constitutional amendment was bad enough, but this amendment to this bill is infinitely worse, because it does not give the shadow of opportunity to the States and municipalities, whose issues it proposes to tax.

Mr. GREEN of Iowa. Mr. Chairman, I ask unanimous consent that all debate on this amendment and all amendments thereto close in 10 minutes.

The CHAIRMAN. The gentleman from Iowa asks unanimous consent that all debate on this amendment and all amendments thereto close in 10 minutes. Is there objection?

Mr. WARD of North Carolina. I object, Mr. Chairman.

Mr. BANKHEAD. I have an amendment I wish to offer.

Mr. GREEN of Iowa. Then, Mr. Chairman, I move that all debate on this amendment and all amendments thereto close in 15 minutes.

Mr. MOORE of Virginia. May I ask the gentleman to withhold that motion a minute? I want to ask how long you expect the House to continue in session this afternoon?

Mr. GREEN of Iowa. Until 6 o'clock or later; there will be no evening session.

The CHAIRMAN. The question is on the motion of the gentleman from Iowa to close debate on this amendment and all amendments thereto in 15 minutes.

The question was taken, and the motion was agreed to.

Mr. BANKHEAD. Mr. Chairman, I have an amendment to the amendment.

The Clerk read as follows:

Amendment by Mr. BANKHEAD: Strike from the Frear amendment the words "except where specifically exempted by act of Congress."

Mr. BANKHEAD. Mr. Chairman and gentlemen of the committee, I do not think it is necessary for me to undertake to make any extended explanation of the amendment I suggest. I can not see any good reason why, if the principle proposed by the gentleman from Wisconsin is to be adopted, that there should be any exception whatever to that principle. In other words, if you adopt the principle of the Frear amendment giving the right to levy a tax upon the income of municipal securities, it ought to be uniform in extent and in the field of operation. In other words, I see no reason in principle why, if you are going to adopt this proposition, that there should be reserved to the Congress the specific right to exempt from this field of taxation their own securities and at the same time the right to tax income from securities issued by States and municipal subdivisions thereof.

Mr. MILLS. Will the gentleman yield?

Mr. BANKHEAD. Yes.

Mr. MILLS. How would you get over the 3½ issue of Federal bonds? We specifically contracted that they should be tax free by the Federal Government.

Mr. McSWAIN. If the gentleman will yield, the inhibition against the impairment of existing contracts does not apply to Federal contracts.

Mr. MILLS. No; but that does not change the moral obligation.

Mr. BANKHEAD. I do not know what the gentleman from Wisconsin had in mind in incorporating this exception into his amendment. I hope that upon a mere presentation of the statement that I have made the gentleman from Wisconsin will be willing to accept the amendment, because I feel, if we are going to have the right to tax income from State and municipal securities, there should be no exception, that it should be uniform in its application, and that the United States Government should not reserve the right to exempt income from its own securities.

Mr. MOORE of Virginia. Does the gentleman believe—and I have great respect for his opinion—that we should embark on the policy proposed by the gentleman from Wisconsin?

Mr. BANKHEAD. As to that proposition, it is a very serious question.

Mr. MOORE of Virginia. Does the gentleman think that this is a question that we ought to act upon so hastily?

Mr. BANKHEAD. I do not know that we are acting hastily upon it. It might be regarded as hasty because we have had a limited debate this afternoon, but the general question has been pretty well discussed. But regardless of the ultimate fate of the Frear amendment, I think this exception should be made.

Mr. MOORE of Virginia. I agree with the gentleman that if we have to accept the Frear proposition it ought to be modified as the gentleman has proposed; but if so modified, will not the States nevertheless be left absolutely within the control of the Federal Government and the Federal Government able to do what it pleases so far as its own securities are concerned?

Mr. BANKHEAD. I think that is a fair construction, and unless there is some opposition to the amendment I would like to have a vote upon it.

Mr. GRAHAM of Pennsylvania. Mr. Chairman and fellow Members of the House, this is indeed a very serious proposition which is at present under consideration. There seems to be an eagerness upon the part of some men to reach out and grasp by taxation, no matter whether in doing so they cross the boundary line of good morals or of constitutional law. For one I am not willing to vote for a measure which in my judgment is absolutely unconstitutional. When I became a Member of this body I took an oath of office to abide by the Constitution of my country, and I do not believe there is any loophole by which I can escape deciding for myself what the Constitution is, and voting according to my best judgment and the lights which have been shed upon the subject. The gentleman from Iowa [Mr. GREEN], chairman of this committee, is absolutely right when he repeats the effect of the decision of our Supreme Court. No new subjects have been given to Congress as a basis for extended taxation. The evil to be remedied was the inability of Congress to lay a direct tax. Congress could not, except through apportionment among the several States, levy a tax, and when you read the fourteenth amendment you will find that that is what it is aimed at and intended to correct. It reads:

Congress shall have power to lay and collect taxes upon incomes, from whatever source derived, without apportionment among the several States, and without regard to any census or enumeration.

That is the pith of the amendment. What lawyer of any judgment or standing will attempt to say that that amendment was intended to destroy the dual relationship between the States and the Federal entity? It would do violence to any man's judgment to infer from that that it was intended to take away from the States their power of taxation. When you attempt or claim the right to assess a tax against the income of a bond, you are assailing the integrity of the bond itself. It can not be separated or divided, and you are doing violence to the States' power and ability to issue its tax-free securities. Every tax-free security held by an estate or any individual is issued to them and held upon the moral obligation that they are free from tax of every kind. In our eagerness to gather in from some people whom we denominate the rich, let us not violate the Constitution of the country and fly in the face of the decision of our Supreme Court. [Applause.]

Mr. BOYCE. Mr. Chairman, as the Representative of the first State—Delaware—to ratify the Federal Constitution, I desire to say that I am shocked at the proposed amendment. It seems to me it would be well before adopting the amendment that Congress propose to the States that the States be dissolved

and determine whether Congress and the States are ready to destroy the dual character of our Government.

Mr. WARD of North Carolina. Mr. Chairman and gentlemen, there is a gentleman in the gallery waiting to see the delegation from North Carolina to get them to go with him to the Interstate Commerce Commission to help get the consent of that commission for the building of a railroad across its line into the State of Tennessee, for the construction of which railroad North Carolina proposes to sell \$10,000,000 worth of her bonds. These bonds have been provided for by our legislature upon a plan of operation now already laid out and definitely contemplated at the time of their authorization. North Carolina has already invested money—how much I could not tell you—upon this project. Several surveys have been made, and expenditures for other purposes have no doubt been made. In addition to this pending bond issue of North Carolina, offered in contemplation of the law as it existed before this idea was sprung upon the House, that State has several millions of dollars—I do not know how to be entirely accurate, as this matter comes upon me without a moment's time for preparation, but something like \$25,000,000—of road bonds yet unissued but provided for in contemplation of a fixed project already laid out and to which the authorization was fitted at the time of the legislative enactment. If I am right in my estimates, and they are at least approximate, I am sure that if the House of Representatives, to say nothing of what action the Senate may take, shall authorize the news to be flashed over the wires to-night to the bond markets that those bonds are to be taxed, it will cost the State of North Carolina possibly a hundred thousand dollars. Her projects will have to be changed. Her bond issues must be increased. Nothing is plainer than that such legislation as this has its effect immediately upon the bond market. Our legislature can not meet until next January, and the Governor of North Carolina, every time I hear from him, is in New York selling bonds. There is a pending series of bond issues by that State for her public improvements, and when you pass this legislation, which proposes unconditionally and immediately—provided it can be done, which provision is so delicate that no lawyer in this presence or anywhere else can give any assurance about it—to tax the bond issues of North Carolina, authorized and provided for under nontaxable conditions, you will cost her treasury and her people a hundred thousand dollars and possibly more. The gentleman from New York [Mr. MILLS], from his superior acquaintance with bond markets, would be more accurate than I in his estimate of that, and his remarks, just made, indicate the reasonableness of my apprehensions. I hope it will not be done.

Mr. MOORE of Virginia. May I interrupt my friend?

Mr. WARD of North Carolina. Yes, sir; I yield.

Mr. MOORE of Virginia. The gentleman talks only about the effect of this thing, if legal and enacted, upon the market on the bonds pending for new projects and not those already outstanding from which incomes representing many, many millions would be greatly affected because the Federal Government would have the right to tax the income.

Mr. WARD of North Carolina. Yes; that is right and alarming enough to one who has a fair regard for the sacredness of vested rights, but as I thought first of the gigantic efforts my State is making in her march of progress, commanding the admiration of her people and of the world, I thought for the moment of the disaster to her hopes and aspirations and not of the interests of those holding her securities for expenditures already made. But, not discounting that question, I appeal to the House not to strike down her securities in the markets of the world in this hour of her progress.

The CHAIRMAN. The time of the gentleman from North Carolina has expired.

The gentleman from Mississippi [Mr. RANKIN] is recognized for two minutes.

Mr. RANKIN. Mr. Chairman, this amendment to the Mellon bill proposes to tax incomes derived from interest on outstanding bonds, usually referred to as tax-exempt securities. This would do exactly what the propaganda for the Mellon plan has misled the American people into believing you were trying to do the other day when you were endeavoring to submit for adoption an amendment to the Constitution which would have destroyed the credit of the States, the counties, the municipalities, the road districts, and the school districts that are compelled to borrow money to finance their improvements, and which would not have reached a single dollar of the billions of outstanding bonds which you have heretofore told us were held by the rich who were thereby escaping their part of the just burden of taxation.

As a matter of fact you knew, and we knew, that the passage of that amendment would not reach these wealthy people

whose money is invested in these bonds. If it had, the gentleman from New York [Mr. MILLS] would not have favored it. But on the other hand, by destroying the credit of the agricultural States and preventing them from borrowing cheap money in the future to finance their improvements, it would have caused the bonds now outstanding to have advanced in price to the extent of hundreds of millions of dollars, which would have been added to the enormous fortunes of those people now holding these bonds, and they would have continued to escape taxation just the same.

It is interesting, as well as amusing, to me to see the gentleman from New York [Mr. MILLS], who more nearly represents the views, if not the interests, of Wall Street than any other man in this body, who pretended to be so anxious the other day to reach by taxation the estates of Mr. Rockefeller and other men of large fortunes who have their money invested in tax-exempt securities, urging, as he was, the passage of an amendment which he knew would not reach a dollar of their "hidden wealth"; it is most amusing, I say, to see him now opposing this amendment to tax the incomes, not only from the securities yet to be issued but also from the multiplied billions now outstanding. But the trouble is that this amendment would reach those men of great wealth, more of whom live in the district represented by the gentleman from New York [Mr. MILLS] perhaps than any other 10 districts represented here, unless it be those districts adjoining his; and that is exactly what the gentleman from New York [Mr. MILLS] and the Secretary of the Treasury, Mr. Mellon, are most anxious to avoid.

But, for the first time, the gentleman from New York [Mr. MILLS] comes out and says that this amendment would injure the credit of the States and municipalities. In the name of all the gods at once, upon what meat hath this our Cæsar fed for the last 10 days that he has become so vitally interested in the credit of the States and the municipalities, whose credit he was trying to destroy by the passage of his constitutional amendment, which would at the same time have protected from taxation by the process of elimination those enormous fortunes now invested in tax-exempt securities and which the present amendment to this bill would reach.

In my opinion, we clearly have the constitutional right to tax the incomes from these outstanding bonds. The sixteenth amendment to the Federal Constitution provides that—

The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several States and without regard to any census or enumeration.

In my opinion this clearly covers the incomes derived from interest on these outstanding bonds. Then why not adopt this amendment and tax them all alike? Why should we do the very foolish thing of adopting another amendment to the Constitution providing for the taxing of the incomes derived from the comparatively few that are to be issued in the future and let go tax free the many billions now held by people of large fortunes?

But some of the opponents of this amendment will contend that we are breaking faith; that it was understood that these bonds were nontaxable at the time they were issued. That is not true. The sixteenth amendment was in full force when a majority of these bonds were sold, and was used as an argument by the bond buyers to beat down the price of these bonds at the time they were issued and put on the market.

But the gentleman from New York [Mr. MILLS], and those who agree with him, say that this amendment does not give the States the reciprocal right to tax incomes derived from interest on Federal bonds. Surely you gentlemen from the agricultural States of the South and West are not going to be misled by that argument. These Federal bonds are not held, as a rule, by the people in the agricultural States. They are held by the financiers in New York, Philadelphia, Chicago, and other money centers. By adopting a constitutional amendment providing for the reciprocal right of the States to tax incomes from Federal bonds you would hardly add a dollar to the revenues of the great agricultural States, but you would be giving those States in which the financial centers are located the power to indirectly tax all the American people for the benefit of those States, while the Government would get little or nothing in return, and in times of stress the credit of the country would be in a measure placed at the mercy of the money power.

But, by the adoption of the amendment now before the House, we will not surrender the credit of the Nation into the hands of the great financial States; we will not be destroying the credit of the States and municipalities in order to enhance the value of those billions of dollars' worth of bonds now held by those who would escape taxation under the proposed con-

stitutional amendment; but we will go back and tax the incomes derived from those billions of dollars of outstanding bonds, thereby increasing the revenue to the Federal Treasury and bringing about the very results which the advocates of the Mellon plan have misled the American people into believing that they were after. Instead of trying to accomplish this in good faith, they are now attempting, in the most insidious way, to deceive the public and to leave the impression that they are carrying out their pledge, when, in truth, they are merely keeping the word of promise to the ear and breaking it to the hope. [Applause.]

Mr. BANKHEAD. Mr. Chairman, under a misapprehension of the phraseology of the Frear amendment, I offered the amendment which I discussed. I now desire to ask unanimous consent to withdraw that amendment.

The CHAIRMAN. The gentleman from Alabama asks unanimous consent to withdraw his amendment. Is there objection?

There was no objection.

The CHAIRMAN. The question now recurs on the amendment offered by the gentleman from Wisconsin [Mr. FREAR]. The affirmative question was taken.

Mr. FREAR. Mr. Chairman, I demand a division.

The CHAIRMAN. A division is called for.

The committee divided; and there were—ayes 67, noes 140. So the amendment was rejected.

The CHAIRMAN. The Clerk will read.

Mr. GARNER of Texas. Mr. Chairman, let me suggest to the gentleman from Iowa [Mr. GREEN], if I may, that it is now half-past 5 o'clock, and we have been here since 11 o'clock this morning. It was the general understanding—at least I so understood it at the time—that at 4 o'clock we would begin to read this bill, the early part, which was not controversial.

Mr. GREEN of Iowa. The gentleman should not have thought that. There is no controversy over these other provisions.

Mr. GARNER of Texas. The gentleman will find out.

Mr. GREEN of Iowa. The gentleman will remember that we are in a legislative jam here, and we ought to get ahead. I ask for the regular order.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

(c) Amounts distributed in complete liquidation of a corporation shall be treated as in full payment in exchange for the stock, and amounts distributed in partial liquidation of a corporation shall be treated as in part or full payment in exchange for the stock. The gain or loss to the distributee resulting from such exchange shall be determined under section 202, but shall be recognized only to the extent provided in section 203. In the case of a distribution in partial liquidation (other than a distribution within the provisions of subdivision (g) of section 203 of stock or securities in connection with a reorganization) the part of such distribution which is properly chargeable to capital account shall not be considered a distribution of earnings or profits within the meaning of subdivision (b) of this section for the purpose of determining the taxability of subsequent distributions by the corporation.

Mr. OLDFIELD. Mr. Chairman, I wish to offer an amendment at this point.

The CHAIRMAN. The gentleman from Arkansas offers an amendment, which the Clerk will report.

The Clerk read as follows:

Amendment by Mr. OLDFIELD: Page 5, strike out lines 4 to 19.

Mr. GARNER of Texas. I will ask the gentleman from Iowa if he does not think we had better quit now? You are not going to get through this portion to-day.

Mr. OLDFIELD. This is a very important amendment.

Mr. GREEN of Iowa. I do not think the gentleman would want to have the amendment passed in that form. Let me suggest to the gentleman that he ask unanimous consent to return to this section later.

Mr. OLDFIELD. I thoroughly agree with the gentleman, especially because of the fact that on page 25 there is a corollary amendment that ought to be offered also, and I would like very much to take those up at the same time; (c) on page 5, and section 208 on page 25.

Mr. GREEN of Iowa. Mr. Chairman, I ask that the privilege be given later on to the gentleman from Arkansas [Mr. OLDFIELD] or any other member of the committee to return to this paragraph for the purpose of offering an amendment.

Mr. OLDFIELD. When we get to page 25, when we come to section 208, the amendment I have introduced there will be considered with this amendment.

Mr. GREEN of Iowa. That is proper. They should both be considered together.

The CHAIRMAN. The gentleman from Arkansas asks unanimous consent that paragraph (c) be passed over for the present and be considered together with section 208 when we reach that point in the bill. Is there objection?

There was no objection.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

(f) A stock dividend shall not be subject to tax, but if before or after the distribution of any such dividend the corporation proceeds to cancel or redeem its stock at such time and in such manner as to make the distribution and cancellation or redemption in whole or in part essentially equivalent to the distribution of a taxable dividend, the amount so distributed in redemption or cancellation of the stock, to the extent that it represents a distribution of earnings or profits accumulated after February 28, 1913, shall be treated as a taxable dividend.

Mr. GARNER of Texas. Mr. Chairman, I offer an amendment to strike out all of paragraph (f) on page 6, lines 10 to 19, inclusive. I would like to have that read.

The CHAIRMAN. The Clerk will report it.

The Clerk read as follows:

Amendment offered by Mr. GARNER of Texas: Page 6, lines 10 to 19, inclusive, strike out the paragraph, which is as follows:

"(f) A stock dividend shall not be subject to tax, but if before or after the distribution of any such dividend the corporation proceeds to cancel or redeem its stock at such time and in such manner as to make the distribution and cancellation or redemption in whole or in part essentially equivalent to the distribution of a taxable dividend, the amount so distributed in redemption or cancellation of the stock, to the extent that it represents a distribution of earnings or profits accumulated after February 28, 1913, shall be treated as a taxable dividend."

Mr. GARNER of Texas. I do not imagine the gentleman from Iowa wants to take up this item this late in the afternoon.

Mr. GREEN of Iowa. I suppose the gentleman from Texas wants to say a few words on that matter?

Mr. GARNER of Texas. I would like to discuss it; yes.

Mr. GREEN of Iowa. I do not think the gentleman from Texas wants the amendment passed in that form unless he expects to follow it with something else.

Mr. GARNER of Texas. Of course, the whole bill would have to be amended as we go along if the committee should strike out this paragraph.

Mr. GREEN of Iowa. But I doubt whether the gentleman really has the amendment in the form he wants it, but if he has I would like to have it submitted so that it may be disposed of. The paragraph as it stands gives us some little relief from the stock-dividend situation.

Mr. GARNER of Texas. I understand it does.

Mr. GREEN of Iowa. But if we should strike out the paragraph entirely we would have no relief.

Mr. GARNER of Texas. But if we have affirmative action later on as to taxing stock dividends, then we would relieve the whole situation.

Mr. GREEN of Iowa. I think the committee had better rise. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to.

Accordingly the committee rose; and the Speaker having resumed the chair, Mr. GRAHAM of Illinois, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill (H. R. 6715) to reduce and equalize taxation, to provide revenue, and for other purposes, and had come to no resolution thereon.

Mr. HASTINGS. Mr. Speaker, I want to ask the chairman of the committee a parliamentary question. I have understood that to-morrow we skip over and take up sections 210 and 211, the income-tax sections, without reading the intervening paragraphs.

Mr. GREEN of Iowa. That is the agreement.

Mr. GARNER of Texas. That is the order of the House.

Mr. HASTINGS. That is the order of the House?

Mr. GARNER of Texas. Yes.

Mr. HASTINGS. So that we shall not commence to read at the point where we left off this afternoon, but will take up sections 210 and 211?

Mr. GARNER of Texas. Yes.

Mr. CHINDBLOM. I will suggest to the gentleman from Oklahoma that he will find the order on the calendar.

Mr. HASTINGS. I simply wanted to be sure there was no misunderstanding about that.

CHANGE OF REFERENCE.

The SPEAKER. The chairman of the Committee on Interstate and Foreign Commerce asks unanimous consent to have the following bills rereferred to the Committee on World War Veterans' Legislation:

VETERANS' BUREAU.

Hospitalization: H. R. 390.

Veterans-dependents' allowances: H. R. 4162.

VETERANS.

Employment: H. R. 2867.

Hospitalization: H. R. 3929, H. R. 3673, H. R. 3922, H. R. 3934, H. R. 2824, H. R. 4837, H. R. 4983, H. R. 5202.

National Army officers' compensation: H. R. 4156.

Vocational training: H. R. 4838, H. R. 4844.

Vocational training supplies: H. R. 3212.

Charles Fortier: H. R. 1567.

Warren O. Grimm et al.: H. R. 1443.

WAR RISK INSURANCE ACT.

Section 300: H. R. 659, H. R. 749, H. R. 3667, H. R. 3676.

Section 301: H. R. 4133.

Section 302: H. R. 206, H. R. 4091, H. R. 4092, H. R. 4093.

Section 401: H. R. 759.

Section 402: H. R. 417.

Sections 404, 408: H. R. 765.

Section 408: H. R. 3851.

Section 411: H. R. 2827.

Articles III and IV: H. R. 5211.

Without objection, the reference will be made.

LEAVE TO ADDRESS THE HOUSE.

Mr. BLANTON. Mr. Speaker, I ask unanimous consent to address the House for a quarter of a minute.

The SPEAKER. The gentleman from Texas asks unanimous consent to address the House for 15 seconds. Is there objection?

There was no objection.

Mr. BLANTON. Mr. Speaker and gentlemen of the House, the House, in passing the gasoline tax bill by almost unanimous vote, intended to retain the property tax on automobiles, but by a mistake of judgment on the part of the committee that tax on automobiles was left out of the bill. Under the bill as it now stands automobiles would not have any property tax on them, and I ask unanimous consent that the Senate be requested to send the bill back to the House for correction.

The SPEAKER. The gentleman from Texas asks unanimous consent that the Senate be requested to send back to the House for correction the bill indicated. Is there objection?

Mr. GREEN of Iowa. Mr. Speaker, is the chairman of the committee, who had charge of the bill, present?

Mr. BLANTON. I spoke to the gentleman from Maryland [Mr. ZIEHLMAN] about it, and he said he thought it could be arranged through the District Committee of the Senate; that he was going to make a statement to the chairman of that committee, but the chairman of the Senate District Committee is out of town, and if the Senate should inadvertently pass the bill as it is there would be no property tax on a \$15,000 Rolls-Royce automobile, and I know the gentleman from Iowa would not want that situation to occur.

Mr. GREEN of Iowa. No; I would not.

Mr. TILSON. Will the gentleman yield?

Mr. BLANTON. Yes.

Mr. TILSON. Did the gentleman from Maryland [Mr. ZIEHLMAN] know that this proposition was to be brought up at this time?

Mr. BLANTON. I told the gentleman from Maryland [Mr. ZIEHLMAN] that he should make the motion himself, but he said he did not think it had to be done in that way.

Mr. TILSON. Does not the gentleman think the gentleman should at least be present when a request of that kind is made?

Mr. BLANTON. The only trouble is that the Senate might pass the bill and leave out the property tax so that there would be no tax on a \$15,000 Rolls-Royce automobile.

Mr. HILL of Maryland. In view of the absence of the gentleman from Maryland [Mr. ZIEHLMAN] I object.

The SPEAKER. Objection is made.

Mr. RANKIN. Mr. Speaker, I ask unanimous consent to revise and extend my remarks in the Record.

Mr. HILL of Maryland. Mr. Speaker, I make the same request.

Mr. GREEN of Iowa. Mr. Speaker, it was ordered early in the general debate that all gentlemen should have leave, for five legislative days after the vote, to revise and extend their

remarks in the Record, and I think that would apply to remarks made in the committee.

The SPEAKER. That being the order, the Chair does not think it necessary to make these individual requests.

THE HOUSING SITUATION.

Mr. KINDRED. Mr. Speaker, I insert herewith an address I delivered at Buffalo:

A PLEA FOR MORE AND BETTER INDIVIDUAL HOMES FOR THE MASSES—A NEW PLAN OF AMORTIZING FIRST AND SECOND MORTGAGES—A PLAN FOR PROVIDING MODERN ROOMY HOMES AT A PRICE BELOW THE AVERAGE MARKET SELLING PRICE.

[An address delivered by Hon JOHN J. KINDRED, of Long Island City, Borough of Queens, New York City, before the New York State Association of Real Estate Boards, at Buffalo, N. Y., October 17, 1923. Reprinted from the National Real Estate Journal of November 5, 1923.]

Real estate men and practical students of sociology and economics know that the acquiring of a home, whether the individually owned home or the collectively owned (cooperative or otherwise) home, is the beginning of thrift, real prosperity, and good citizenship on the part of the citizen and the community affected.

Our problem is to help the average man, the family of moderate means, finance and own their own home. To fully solve this problem means not only thrift, prosperity, and better citizenship and consequently a safer and better United States, but it also means an investment of a much larger capital than is at present invested in a useful and profitable field.

It is axiomatic that as soon as a man acquires his own home or other substantial property, he ceases to speak and think in terms of anarchy and Bolshevism and the like. He at once identifies himself with that great and safe majority who will always stand up unflinchingly for the sacred rights of property and the uniform constitutional provisions guaranteeing those rights, whether these rights affect the smallest property holding of the poorest, humblest citizen or whether they affect the honestly acquired millions of the most affluent citizen or corporation.

DEATH BY TAXATION.

In this connection, it may be well to call attention to the fact that property rights in land and houses, vacant or improved, or in other real property, may be virtually destroyed by being taxed to death through municipal, State, and national legislation.

We are confronted in New York State and in the District of Columbia, the last named under Federal law, with laws which stand the test of constitutionality, that in fact confiscate rights in real property. With the increased population in the cities which promises shortly to give the balance of political power to the cities, it is not an unreasonable assumption that, with the present trend toward so-called State socialism, or worse, rights may be further infringed upon, if not substantially impaired.

These, and additional facts, argue powerfully the absolute necessity for providing private initiative and capital for home financing for the great masses of our people—those of moderate financial means, particularly the industrial workers and workers generally. This can best be done only by a liberal plan of amortization of both the first and second mortgage and in addition a plan which will provide sufficient cash on second mortgage to complete the building, over and above the usual 15 or 20 per cent of its whole cost provided by the average builder. To make the house more salable it is necessary to eliminate a third mortgage. These essentials will be discussed later in detail.

AN ACUTE SITUATION.

The post-war housing situation differs widely from that of former days, so widely in fact that precedent, the guide of the majority, is denied us and we have, to a great extent, been floundering about in varied degree of experimentation, all trying to solve a perplexing problem, more acute to-day than during the war or immediately after. This is evinced by the fact that the average increase of rentals is to-day 61 per cent higher than pre-war rentals as against 43 per cent higher in July, 1920, which was the period of highest construction costs; an increase in rental costs of 18 per cent since July, 1920; a greater increase than in the cost of any other commodity, despite rent laws which have as a chief contender the law of supply and demand; more powerful than grasping landlords, constituting as they do, a serious menace to the well-being of family life.

The shifting into poorer and inferior living quarters, necessitated by prohibitive rentals, and affecting the majority of the people, is a serious downstep in national life. The environment of growing children affects in a marked fashion their future standards, aims, and ambition.

The only saving feature of this existing evil, a blessing that is conferred unfortunately through suffering, is that it is producing a great mass of home owners.

So eminent an authority as Secretary Hoover has well stated:

"What greater incentive for saving is there than the ownership of a home, the possession of which may change the very physical, moral, and mental fiber of your children?"

Secretary Hoover's advocacy of home ownership is too well known for me to dwell upon, but in passing let me add that much valuable work, unknown in a great degree to the general public, has been and is being accomplished by him in the standardization of building laws throughout the country which will permit of lowered costs in the erection of a home.

Another fundamental is that large capital should be invested in the building business by the builder, which heretofore, as far as home building is concerned, has been largely conducted on a credit basis. Credit from start to finish, with its tax added to the cost to the purchaser.

By tax I do not mean that matter of interest on money alone, for that is a proper charge, but the burden added in the form of "overhead"; excessive overhead that general credit demands, where losses for bad accounts must be absorbed by the one who pays, who thus becomes the guarantor of the irresponsible speculator.

MUST BE WITHIN BUYER'S MEANS.

Another fundamental is that the financing or the selling plan should be in keeping with the means of the buyer. Foreclosure will sooner or later come to the purchaser who has bought beyond his means or who has purchased a home ill financed; that is, where the purchase money or second mortgage becomes due prior to its being paid off through monthly or semiannual installments.

This is the situation I know that every reputable realtor deplures, but he nevertheless sees it practiced by the unscrupulous and unthinking operator. I feel that it is our duty to emphasize the need of caution on the part of the buyer to ascertain that the proposition he buys is soundly financed and that he will not be placed in a position where he will be forced to consider the renewals of purchase money or second mortgages.

MONTHLY INSTALLMENT PLANS.

My plan presupposed a selling basis that requires only 15 per cent of the purchase price as a cash down or initial payment, with the balance on a 15-year amortization basis.

Amortization of both first and second mortgages in small monthly payments, like rent, running over long periods and no due date until automatic termination, say at least 15 years (and no third mortgage complication) is the chief essential in really helping wage earners to own their own homes.

The matter of discounting second mortgages, the cost of which is always added to the purchase price, I feel is an overhead expense that is illegitimate and should not enter into a home-buying transaction.

In home building for the masses this onerous burden should not be tolerated, and the 6 per cent paid on the purchase money or second mortgage should be a sufficient yield over the builder's reasonable profit.

Such mortgages should, in my opinion, in every instance be paid off through regular monthly installments, and I advocate that they should never have a due date. I do not refer, of course, to first mortgages made by reputable institutions which, in many cases, run from three to five years. These mortgages are usually renewable or replaceable.

The matter of discounting second mortgages, the cost of which is always added to the purchase price, I feel is an overhead expense that is illegitimate and should not enter into a home-buying transaction.

In home building for the masses this onerous burden should not be tolerated, and the 6 per cent paid on the purchase money or second mortgage should be a sufficient yield over the builder's reasonable profit. It is a common fact that discounts or bonuses in addition to the interest rate of 6 per cent are charged on second mortgages as high as 25 per cent and this amounts—the purchase money mortgage representing in many cases almost half the purchase price—to from \$1,500 to \$2,000 per house additional cost to the buyers.

When I first became interested in solving to some degree the housing situation, closely associated with D. E. McAvoy, of the realty firm of William D. Bloodgood & Co., I put up a dozen two-family houses purely as an experiment to find out the public's viewpoint by a close contact with actual buyers. The houses we erected were the conventional type of two-family, semidetached, brick homes. They were very attractive, but we shortly found that we had erected a home that was too expensive and that it would be unwise in many cases to sell to the buyer who would purchase it under the stress of immediate needs.

Mr. McAvoy interviewed some six or seven hundred prospective purchasers who looked at these houses, ascertaining their needs, their ability to pay, and many other points, and compiled from this intensive research very important data regarding practical housing from the buyer's viewpoint and not from that of the theorist.

One of the most important needs that were felt was that of more bedrooms than the ordinary standard two-family house provides, which is approximately two to each apartment. At the same time the

purchasers were loath to buy a one-family house that would provide more than the required space for the present, because the cost exceeded the amount that they could conveniently pay.

THE "CONVERTIBLE" HOUSE.

Based upon this and other data our architects devised what is termed the "convertible house," an absolute departure from anything heretofore built. It is three stories in height. The first two floors include seven rooms and bath, giving the usual living quarters with three bedrooms and bath on second floor. The third floor contained three rooms and bath. In one of these rooms is a kitchenette equipment, consisting of two cabinets with a sink placed between, so that this floor can be arranged for occupancy by a small family. An ingenious and entirely novel stair arrangement devised by the architects permits of one or two family use, so that the owners of the house may use this floor when desirable.

Another great advantage of this plan is that back in the minds of every purchaser is the thought that some day he will own his own private home. He regards this rental feature as a means to an end; an element that will make it safe for him to acquire a home that will suit his immediate requirements and yet be large enough for his future needs. This income feature will always act as a "safety cushion" to secure an income during any trying period. He can use the first two floors and rent the upper floor during such a period and secure an income sufficient to meet his entire interest and carrying charges.

The chief feature of my plan was the carrying by myself of that amount, secured by second mortgage, necessary to complete the buildings, not supplied by the builder, and an arrangement with the builder by which a third mortgage was eliminated, the houses being sold subject to only first and second mortgages, the principal and interest on each of which were payable on the same dates in equal monthly installments, extending over a period of 15 years.

AMORTIZE FIRST AND SECOND.

Amortization of both first and second mortgages in small monthly installments, like rent, running over long periods and no due date until automatic termination, say at least 15 years (and no third mortgage complication), is the chief essential in really helping working people and wage earners to own their own homes.

This general arrangement of amortization of first-mortgage loans has been, under most favorable conditions for several years past, offered by a few of our large financial corporations in the city of New York and elsewhere, notably the Metropolitan Life Insurance Co., which has loaned hundreds of millions in New York City and practically all over the country at reasonable interest rates and charges.

MORE PROFITABLE.

The Metropolitan Life Insurance Co. was probably the first to adopt this plan, which it has carried out consistently during a period when mortgage money was scarce and commanded high interest and accommodation charges. Such a wise and constructive use of money has proved a sound and profitable investment for this company and other large life insurance companies. For the five years 1915 to 1921 their investments of hundreds of millions in real estate mortgages netted more than 6.1 per cent, as against 4.6 per cent from investments in stocks and bonds.

As against the wise and constructive policy of the Metropolitan Life Insurance Co. in making loans, particularly on home (preferably one and two family houses), is the policy of some other large insurance companies to make large loans to speculative builders of apartment houses and other structures, or for renting to people of ample financial means, and for which class there is already a sufficient supply of facilities carrying high rentals and sales values.

Notwithstanding the increasing investments in this direction, there is a very unsatisfactory situation in New York City and elsewhere with regard to housing and home building. Housing in some instances is positively insanitary and a menace to the health and morals of the tenants who are compelled to pay huge and in some instances profiteering rentals.

LEGISLATION.

This situation has existed and still exists to such a degree that the State of New York has enacted and reenacted drastic rent laws (and will probably continue such laws for some time to come) that have proven in many instances positively confiscatory. The United States Congress has enacted similar laws—the Ball law.

The legislators have gone still further and attempted both in our State and national legislatures to pass even more drastic rent and housing laws than those of which we complain at present—laws that would place the State and Federal Governments squarely in control and ownership of home building and housing.

The powerful Labor Party in the British Parliament has introduced such measures, which, although temporarily defeated, received a large vote and are still pending.

THE KINDRED PLAN.

The arrangement of only a first and second mortgage was the most difficult problem we encountered in financing one of the most notable home developments in Greater New York City, where thousands of residences of all types, involving millions of dollars of investments, have been commenced and completed during the past several years to procure the benefit of tax exemption.

My plan assumes that the design and layout of the houses will be carefully studied by competent and practical architects. That important phase of home building for the masses has been woefully neglected. To my mind the evasion of a substantial fee to a competent architect is an outstanding example of mistaken economy. The plan of this type of housing, more than by any other, should be studied and based upon careful research to meet the needs of the prospective purchaser of limited means.

My plan presupposes the willingness of the owner of the land to subordinate the cost of his land, with more or less improvements as regards street paving, sewers, etc., all free and clear, and to take second mortgages in payment, subject to an amortized mortgage loan of about 40 per cent to 50 per cent of the total value of the land and the completed building, this being about the proportion usually loaned on first mortgages.

My plan also presupposes an operator who is a practical builder of honesty and experience, with ample capital and undoubted credit, and who must put into the project a certain amount of cash to complete the building; that he will build an honest house on a quantity-production basis which can be sold at a price below the average market selling price.

15-YEAR AMORTIZATION.

My plan further presupposes a selling basis that required only 15 per cent of the purchase as a "cash down" or initial payment, with the balance on a 15-year amortization basis.

This combination may be somewhat difficult to bring about and its successful carrying out implies actual and full-hearted cooperation between these parties in interest. It may be truly said that the landowner runs a certain risk in subordinating land, free and clear, to the extent of 100 per cent, for the reason that there is a risk that the builder will not complete the houses; also if they are fully completed, the houses may not sell rapidly and at satisfactory prices, if at all.

The first mortgages should run over a long period of years (say 15 years) and should provide installment (preferably equal monthly) payments, having no due date until their automatic termination as long as the installment payments and taxes and other conditions are promptly met by the purchaser.

Our next problem was to produce these houses at a popular price. Our intimate contact with the building situation personally and through our architects, who were also engaged in large industrial operation, convinced us that there was only one solution to offset existing high costs. This was the erection of houses based on quantity production, so that the fundamentals I have referred to before of quantity production and mass buying could be taken advantage of; and this, gentlemen, is a very, very substantial saving, resulting in the saving to the buyer of several thousands of dollars per house.

The problem then was to secure an operator who possessed the facilities and experience to produce in large quantities and who had the capital to secure the advantages of the buying power of cash. This was not a simple matter. The builders, as I stated before, were working in the home-building fields, largely on credit and only in a small way, and the larger construction companies were not accustomed to this character of construction, dealing in steel structures such as the office, industrial, and apartment buildings, and their resources in materials, etc., were of a different nature than that required for this class of small homes.

SECURED RIGHT BUILDER.

We were fortunate in making a most successful connection with a builder who had, during the war and before, conducted housing operations on a vast scale, Mr. William F. Chattos, of Bridgeport, Conn. He was, in addition, the owner of a large lumber, mason supply, and hardware concern and mills equipped for the turning out of trim, window frames, stairs, etc. He approved of the plan of these convertible houses and undertook to supply quantity production, giving the purchaser the benefit of this saving; and with the elimination of the excess overhead of financing was able to sell these houses at a price several thousand dollars under the market value.

This rare combination of resources and facilities made it possible for the erection of these homes in a record time consistent with good construction, with an honest house as our goal. The savings that this quantity production basis created together with a low land cost, with the elimination of the usual high cost of financing, made it possible to sell these several hundred houses at such an attractive price and on such easy terms that they were absorbed by the buying public during the summer months, establishing a sales record in Greater New York City, if not throughout the country, in disposing of over \$2,000,000 of small homes before completion.

ENROLLED BILLS SIGNED.

The Committee on Enrolled Bills reported that they had examined and found truly enrolled bill and joint resolution of the following titles, when the Speaker signed the same:

S. 2249. An act to extend for nine months the power of the War Finance Corporation to make advances under the provisions of the War Finance Corporation act, as amended, and for other purposes.

S. J. Res. 71. Joint resolution directing the Secretary of the Interior to institute proceedings touching sections 16 and 36, township 30 south, range 23 east, Mount Diablo meridian.

LEAVE OF ABSENCE.

By unanimous consent, leave of absence was granted as follows:

To Mr. MONTAGUE, for two days, on account of death in his family.

To Mr. SANDERS of Texas, for one day, on account of illness.

ADJOURNMENT.

Mr. GREEN of Iowa. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock and 45 minutes p. m.), the House adjourned until to-morrow, Tuesday, February 19, 1924, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of Rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

365. A letter from the Director of the United States Veterans' Bureau, transmitting a statement showing, by location, salary range, and bureau designation, employees receiving an aggregate annual salary of \$2,000 and over as of February 1, 1924, for central office and as of January 1, 1924, for the field; to the Committee on Appropriations.

366. A letter from the Secretary of the Treasury, transmitting a draft of proposed legislation to authorize the transfer of a portion of the Brewerton Channel Range Rear Lighthouse Reservation, Md., from the Department of Commerce to the Treasury Department; to the Committee on Interstate and Foreign Commerce.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS.

Under clause 2 of Rule XIII,

Mr. BULWINKLE: Committee on Claims. H. R. 1682. A bill for the relief of the Stone Towing Line; without amendment (Rept. No. 209). Referred to the Committee of the Whole House.

CHANGE OF REFERENCE.

Under clause 2 of Rule XXII, committees were discharged from the consideration of the following bills, which were referred as follows:

A bill (H. R. 659) to amend section 300 of the war risk insurance act as amended; Committee on Interstate and Foreign Commerce discharged, and referred to the Committee on World War Veterans' Legislation.

A bill (H. R. 749) to amend the war risk insurance act as amended; Committee on Interstate and Foreign Commerce discharged, and referred to the Committee on World War Veterans' Legislation.

A bill (H. R. 1443) to validate the war risk insurance of Warren O. Grimm, Ernest Dale Hubbard, Arthur McElfresh, and Ben Casagrande, who were murdered while parading in the uniform of the United States Army at Centralia, Wash., November 11, 1919; Committee on Interstate and Foreign Commerce discharged, and referred to the Committee on World War Veterans' Legislation.

A bill (H. R. 1567) granting compensation to Charles Fortier; Committee on Interstate and Foreign Commerce discharged, and referred to the Committee on World War Veterans' Legislation.

A bill (H. R. 3212) to provide for the retention of books, charts, and similar supplies by beneficiaries of vocational training; Committee on Interstate and Foreign Commerce discharged, and referred to the Committee on World War Veterans' Legislation.

A bill (H. R. 3667) to amend and modify the war risk insurance act; Committee on Interstate and Foreign Commerce discharged, and referred to the Committee on World War Veterans' Legislation.

A bill (H. R. 4156) to fix compensation of officers of the National Army who incurred disability while in the service; Committee on Interstate and Foreign Commerce discharged, and referred to the Committee on World War Veterans' Legislation.

A bill (H. R. 4838) to amend an act entitled "An act making appropriations to supply deficiencies in appropriations for the fiscal year ending June 30, 1921, and prior fiscal years, and for other purposes," approved June 16, 1921; Committee on Interstate and Foreign Commerce discharged, and referred to the Committee on World War Veterans' Legislation.

A bill (H. R. 4844) to provide vocational training for persons who failed to commence training within the time prescribed in the act approved March 4, 1921, entitled "An act making appropriations for sundry civil expenses of the Government for the fiscal year ending June 30, 1922, and for other purposes"; Committee on Interstate and Foreign Commerce discharged, and referred to the Committee on World War Veterans' Legislation.

A bill (H. R. 5202) to remove time limitation for filing an application for compensation, vocational training, hospitalization, and dental treatment by a disabled veteran of the World War; Committee on Interstate and Foreign Commerce discharged, and referred to the Committee on World War Veterans' Legislation.

A bill (H. R. 3676) to amend the war risk insurance act; Committee on Interstate and Foreign Commerce discharged, and referred to the Committee on World War Veterans' Legislation.

A bill (H. R. 4133) to amend section 301 of the war risk insurance act as amended; Committee on Interstate and Foreign Commerce discharged, and referred to the Committee on World War Veterans' Legislation.

A bill (H. R. 206) to amend subdivision 6, section 302, of the war risk insurance act; Committee on Interstate and Foreign Commerce discharged, and referred to the Committee on World War Veterans' Legislation.

A bill (H. R. 4091) to amend an act entitled "An act to amend and modify the war risk insurance act," approved March 4, 1923; Committee on Interstate and Foreign Commerce discharged, and referred to the Committee on World War Veterans' Legislation.

A bill (H. R. 4092) to amend an act entitled "An act to amend and modify the war risk insurance act," approved March 4, 1923; Committee on Interstate and Foreign Commerce discharged, and referred to the Committee on World War Veterans' Legislation.

A bill (H. R. 4093) to amend an act entitled "An act to amend and modify the war risk insurance act," approved March 4, 1923; Committee on Interstate and Foreign Commerce discharged, and referred to the Committee on World War Veterans' Legislation.

A bill (H. R. 759) to amend an act entitled "An act to amend and modify the war risk insurance act," approved December 24, 1919; Committee on Interstate and Foreign Commerce discharged, and referred to the Committee on World War Veterans' Legislation.

A bill (H. R. 417) to amend section 402 of the war risk insurance act; Committee on Interstate and Foreign Commerce discharged, and referred to the Committee on World War Veterans' Legislation.

A bill (H. R. 765) to amend sections 404 and 408 of the war risk insurance act as amended; Committee on Interstate and Foreign Commerce discharged, and referred to the Committee on World War Veterans' Legislation.

A bill (H. R. 3851) to amend section 408 of the war risk insurance act; Committee on Interstate and Foreign Commerce discharged, and referred to the Committee on World War Veterans' Legislation.

A bill (H. R. 2827) to amend the war risk insurance act, as amended; Committee on Interstate and Foreign Commerce discharged, and referred to the Committee on World War Veterans' Legislation.

A bill (H. R. 5211) to provide for the applicability to certain classes of persons of the provisions of Articles III and IV of the war risk insurance act, as amended; Committee on Interstate and Foreign Commerce discharged, and referred to the Committee on World War Veterans' Legislation.

A bill (H. R. 4983) providing for hospitalization, medical treatment, nursing, and all necessary care of disabled ex-service men; Committee on Interstate and Foreign Commerce discharged, and referred to the Committee on World War Veterans' Legislation.

A bill (H. R. 4837) providing for hospitalization, medical treatment, nursing, and all necessary care of honorably discharged disabled ex-service men; Committee on Interstate

and Foreign Commerce discharged, and referred to the Committee on World War Veterans' Legislation.

A bill (H. R. 2824) examination and hospitalization of World War veterans; Committee on Interstate and Foreign Commerce discharged, and referred to the Committee on World War Veterans' Legislation.

A bill (H. R. 3934) providing for hospitalization, medical treatment, nursing, and all necessary care of disabled ex-service men; Committee on Interstate and Foreign Commerce discharged, and referred to the Committee on World War Veterans' Legislation.

A bill (H. R. 3922) providing for hospitalization, medical treatment, nursing, and all necessary care of disabled ex-service men; Committee on Interstate and Foreign Commerce discharged, and referred to the Committee on World War Veterans' Legislation.

A bill (H. R. 3673) providing for hospitalization, medical treatment, nursing, and all necessary care of disabled ex-service men; Committee on Interstate and Foreign Commerce discharged, and referred to the Committee on World War Veterans' Legislation.

A bill (H. R. 390) to provide hospital and dispensary treatment for all disabled veterans by the United States Veterans' Bureau; Committee on Interstate and Foreign Commerce discharged, and referred to the Committee on World War Veterans' Legislation.

A bill (H. R. 2867) providing for the establishment of an advisory board in the United States Veterans' Bureau to obtain employment for disabled veterans and to finance them in business; Committee on Interstate and Foreign Commerce discharged, and referred to the Committee on World War Veterans' Legislation.

A bill (H. R. 3929) providing for hospitalization, medical treatment, nursing, and all necessary care of disabled ex-service men; Committee on Interstate and Foreign Commerce discharged, and referred to the Committee on World War Veterans' Legislation.

A bill (H. R. 4162) to extend to 1926 the present law granting allowances to dependent kindred of those who lost their lives in the World War; Committee on Interstate and Foreign Commerce discharged, and referred to the Committee on World War Veterans' Legislation.

A bill (H. R. 2332) granting a pension to Emma Jane Daugherty; Committee on Pensions discharged, and referred to the Committee on Invalid Pensions.

PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

Under clause 3 of Rule XXII, bills, resolutions, and memorials were introduced and severally referred as follows:

By Mr. JOHNSON of South Dakota: A bill (H. R. 7062) to determine and refund the difference between the price received for the wheat of 1917, 1918, and 1919 fixed by the United States of America and its agents and the price which the wheat of 1917, 1918, and 1919 would have brought unfixed thereby; to the Committee on Agriculture.

By Mr. McKENZIE: A bill (H. R. 7063) granting the consent of Congress to the State of Illinois and the State of Iowa, or either of them, to construct a bridge across the Mississippi River connecting the county of Carroll, Ill., and the county of Jackson, Iowa; to the Committee on Interstate and Foreign Commerce.

By Mr. KELLY: A bill (H. R. 7064) to encourage commercial aviation and to authorize the Postmaster General to contract for air mail service; to the Committee on the Post Office and Post Roads.

Also, a bill (H. R. 7065) to classify photographs and photographic films as fourth-class mail matter; to the Committee on the Post Office and Post Roads.

By Mr. JOHNSON of South Dakota: A bill (H. R. 7066) granting the consent of Congress to the State of South Dakota for the construction of a bridge across the Missouri River between Potter County and Dewey County, S. Dak.; to the Committee on Interstate and Foreign Commerce.

Also, a bill (H. R. 7067) granting the consent of Congress to the State of South Dakota for the construction of a bridge across the Missouri River between Hughes County and Stanley County, S. Dak.; to the Committee on Interstate and Foreign Commerce.

By Mr. JEFFERS: A bill (H. R. 7068) to provide for the rating by a person who actually sees the claimant in all cases where a disabled ex-service man or woman is examined under the jurisdiction of the United States Veterans' Bureau for the purpose of rating any such ex-service person for compensation for a service disability; to the Committee on World War Veterans' Legislation.

Also, a bill (H. R. 7069) to provide for the payment of dependency allowance for dependents of beneficiaries of the United States Veterans' Bureau who are declared permanently and totally disabled similar to that allowance paid for the dependents of those beneficiaries of the United States Veterans' Bureau who are in vocational training; to the Committee on World War Veterans' Legislation.

Also, a bill (H. R. 7070) to provide service connection for all tubercular and neuropsychiatric diseases developing within five years from the date of discharge from the service; to the Committee on World War Veterans' Legislation.

By Mr. HULL of Tennessee: A bill (H. R. 7071) to provide for the establishment of a dairying and livestock experiment station at Gallatin, Tenn.; to the Committee on Agriculture.

By Mr. CURRY: A bill (H. R. 7072) to adjust the pay and allowances of certain officers of the United States Navy; to the Committee on Military Affairs.

By Mr. TINKHAM: A bill (H. R. 7073) to amend section 2 of the act relative to naturalization and citizenship of married women, approved September 22, 1922; to the Committee on Immigration and Naturalization.

By Mr. BYRNES of South Carolina: A bill (H. R. 7074) to amend section 5 of the United States cotton futures act; to the Committee on Agriculture.

By Mr. HAWLEY: A bill (H. R. 7075) reserving certain described lands in Coos County, Oreg., as public fish, game, and park reserves; to the Committee on the Public Lands.

Also, a bill (H. R. 7076) authorizing the Coos Bay, Umpqua, and Siuslaw Tribes of Indians in the State of Oregon to submit claims to the Court of Claims; to the Committee on Indian Affairs.

By Mr. HOWARD of Oklahoma: A bill (H. R. 7077) to amend an act entitled "An act to amend an act entitled 'An act making appropriations for the current and contingent expenses of the Bureau of Indian Affairs, for fulfilling treaty stipulations with various Indian Tribes, and for other purposes, for the fiscal year ending June 30, 1914,' approved June 30, 1913," approved May 26, 1920; to the Committee on Indian Affairs.

By Mr. WURZBACH: A bill (H. R. 7078) to reimburse officers, soldiers, and civilian employees of the Army and their families and dependents for losses sustained as a result of the Galveston, Tex., flood on September 8, 1900; to the Committee on Claims.

By Mr. PORTER: A bill (H. R. 7079) prohibiting the importation of crude opium for the purpose of manufacturing heroin; to the Committee on Ways and Means.

By Mr. SHALLENBERGER: A bill (H. R. 7080) to prohibit the collection of a surcharge for the transportation of persons or baggage in connection with the payment for parlor or sleeping car accommodations; to the Committee on Interstate and Foreign Commerce.

By Mr. MOORES of Indiana: A bill (H. R. 7081) for the better protection of aliens and for the enforcement of their treaty rights; to the Committee on Foreign Affairs.

By Mr. SHERWOOD: Joint resolution (H. J. Res. 191) for deep waterway improvement; to the Committee on Interstate and Foreign Commerce.

PRIVATE BILLS AND RESOLUTIONS.

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. ALLEN: A bill (H. R. 7082) for the relief of Wildey Lodge No. 27, Independent Order of Odd Fellows, of Charles Town, W. Va.; to the Committee on Claims.

Also, a bill (H. R. 7083) for the relief of the trustees of the Presbyterian Church at Keyser, formerly New Creek, W. Va.; to the Committee on Claims.

By Mr. BEERS: A bill (H. R. 7084) granting an increase of pension to Susie O. McConnell; to the Committee on Invalid Pensions.

By Mr. CROLL: A bill (H. R. 7085) granting a pension to Rosa Boone; to the Committee on Pensions.

By Mr. GLATFELTER: A bill (H. R. 7086) granting a pension to Susan Olewiler; to the Committee on Pensions.

Also, a bill (H. R. 7087) granting a pension to Jacob D. Schmuck; to the Committee on Invalid Pensions.

By Mr. MORTON D. HULL: A bill (H. R. 7088) granting an increase of pension to Susan Jane Henry; to the Committee on Invalid Pensions.

By Mr. KINDRED: A bill (H. R. 7089) to correct the military record of Charles M. Hoffman; to the Committee on Military Affairs.

By Mr. LOZIER: A bill (H. R. 7090) granting a pension to Ruth J. Sorrells; to the Committee on Invalid Pensions.

By Mr. MAPES: A bill (H. R. 7091) to provide for an examination and survey of Grand Haven Harbor and Grand River, Ottawa County, Mich.; to the Committee on Rivers and Harbors.

By Mr. MOORE of Illinois: A bill (H. R. 7092) to extend the benefits of the United States employees' compensation act of September 7, 1916, to Edward N. McCarty; to the Committee on Claims.

By Mr. SEARS of Florida: A bill (H. R. 7093) granting a pension to Martin Padgett; to the Committee on Pensions.

Also, a bill (H. R. 7094) to correct the military record of Ellsworth Haggard; to the Committee on Military Affairs.

By Mr. SINNOTT: A bill (H. R. 7095) validating certain applications for and entries of public lands, and for other purposes; to the Committee on the Public Lands.

By Mr. SNELL: A bill (H. R. 7096) granting a pension to Alta Humphrey; to the Committee on Invalid Pensions.

By Mr. TAYLOR of Tennessee: A bill (H. R. 7097) authorizing the Secretary of Labor to permanently admit, under suitable regulations and requirements to be prescribed by him, Malle Tsatskis (Cackis), daughter of Gersh Tsatskis; to the Committee on Immigration and Naturalization.

By Mr. TINCHER: A bill (H. R. 7098) granting an increase of pension to Hannah Doll; to the Committee on Invalid Pensions.

By Mr. THOMAS of Kentucky: A bill (H. R. 7099) granting a pension to Mary E. Frederick; to the Committee on Pensions.

Also, a bill (H. R. 7100) granting a pension to Elizabeth Holland; to the Committee on Pensions.

By Mr. THOMPSON: A bill (H. R. 7101) granting a pension to Mable Andrews; to the Committee on Invalid Pensions.

By Mr. WASON: A bill (H. R. 7102) granting a pension to Joseph Greenwood; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

1142. By Mr. ALDRICH: Petition of Washington County (R. I.) Medical Society, relative to Federal tax legislation; to the Committee on Ways and Means.

1143. Also, petition of Westerly (R. I.) Physicians' Association, relative to Federal tax legislation; to the Committee on Ways and Means.

1144. Also, petition of Loggia Operaia Italiana, No. 1050, of Westerly, R. I., protesting against the passage of the Johnson immigration bill; to the Committee on Immigration and Naturalization.

1145. By Mr. BRIGGS: Petition of Mr. James P. Collerain and others, of Galveston, Tex., in regard to the transportation act, 1920; to the Committee on Interstate and Foreign Commerce.

1146. Also, resolutions adopted by maritime committee of the Galveston Cotton Exchange, urging the retention of the Hydrographic Office in the Navy Department and the transfer of Coast Survey hydrographic work to the Hydrographic Office; to the Committee on Naval Affairs.

1147. Also, petition of Mr. E. B. Sutton and 17 others, of Percilla, Tex., urging the support of the Norris-Sinclair bill; to the Committee on Agriculture.

1148. By Mr. GALLIVAN: Petition of John J. Donovan, 163 Neponset Avenue, Boston, Mass., recommending early and favorable action on the Kelly and Merritt bills; to the Committee on Ways and Means.

1149. Also, petition of the National Shoe Travelers' Association, expressing disapproval of House bill 4141, as applicable to shoes; to the Committee on Interstate and Foreign Commerce.

1150. Also, petition of the Mazzini Club (Inc.), of Boston, Mass., protesting against passage of the Johnson selective immigration bill; to the Committee on Immigration and Naturalization.

1151. By Mr. GREENE of Massachusetts: Petition of the Board of Aldermen of Fall River, Mass., favoring an adjusted compensation bill; to the Committee on Ways and Means.

1152. By Mr. KAHN: Petition of California Chapter, Daughters of the American Revolution, urging that the name of "Mount Rainier" be changed to "Mount Tacoma" and that the names of "Mount Rainier National Park" and "Rainier Forest Reserve" be also changed; to the Committee on the Public Lands.

1153. By Mr. KING: Petition of Shearer Post, No. 350, of the American Legion, of Geneseo, Ill., favoring the adjusted compensation bill; to the Committee on Ways and Means.

1154. By Mr. KOPP: Petition of Lions Club, of Washington, Iowa, expressing its gratification with the results reached by the special commission on narcotics in securing recognition of the principle that production of narcotics should be restricted to medical and scientific needs of the world; to the Committee on Foreign Affairs.

1155. By Mr. KVALE: Petition of members of the Colored Voters' League, St. Paul, Minn., urging enactment of the Dyer antilynching bill; to the Committee on the Judiciary.

1156. Also, petition of citizens of Osakis, Minn., in mass meeting assembled, unanimously urging immediate adoption of the adjusted compensation bill; to the Committee on Ways and Means.

1157. Also, petition of eighth annual meeting of the Red River Valley Livestock Association, unanimously urging the enactment into law of the Norbeck-Burtness livestock loan bill and of the McNary-Haugen bill; to the Committee on Agriculture.

1158. Also, petition of members of the Kiwanis Club of Morris, Minn., unanimously urging immediate reduction in taxes, to apply also to 1923 income-tax returns; to the Committee on Ways and Means.

1159. Also, petition of N. S. Nelson and other members of the Victor Hegge Post, No. 273, American Legion, Garvin, Minn., urging enactment of the adjusted compensation bill; to the Committee on Ways and Means.

1160. Also, petition of W. G. Workman and other members of the Game Protective Association, of Tracy, Minn., urging passage at this session of Congress of the public shooting ground game refuge bill; to the Committee on Agriculture.

1161. Also, petition of American Legion Auxiliary, Austin F. Hanscom Post, No. 167, urging passage of the adjusted compensation bill; to the Committee on Ways and Means.

1162. Also, petition of Parent-Teachers' Association, Atwater, Minn., favoring adherence of the United States to the international court; to the Committee on Foreign Affairs.

1163. By Mr. LEAVITT: Petition of Sam W. Teagarden, representing wheat farmers of Toole, Glacier, Pondera, Liberty, and Hill Counties, in Montana, urging repeal of the clause in the wheat tariff law that rebates to American millers all but inconsequential fraction of the 30 cents named therein; to the Committee on Agriculture.

1164. Also, petition of the Farmers' Educational and Co-operative Union, of Golden Valley County, Mont., urging passage of the McNary-Haugen export corporation bill; to the Committee on Agriculture.

1165. Also, petition of the Great Falls (Mont.) American Legion Post, J. M. Gault, commander, urging passage of an adjusted compensation measure; to the Committee on Ways and Means.

1166. By Mr. MAGEE of Pennsylvania: Petitions of Liberty Temple, No. 48; Safe Ten Per Cent Building & Loan Association; Association of Craft Employees, Pennsylvania Railroad; board of commissioners of Mount Lebanon Township; Martha Washington Club, No. 168, Advisory Council, Order of Independent Americans; Journeyman Horseshoers, No. 9; Sequilla Club; and Daughters of Pocahontas, No. 161, favoring increased compensation to postal employees; to the Committee on the Post Office and Post Roads.

1167. By Mr. NEWTON of Missouri: Petition of employees of the United States Engineer office, St. Louis, Mo., favoring an amendment to the act of May 22, 1920, which provides for lowering the age of retirement, increase in existing annuities, and for voluntary retirement after 30 years of service, etc.; to the Committee on the Civil Service.

1168. Also, petition of hunters, favoring passage of House bill 745, approved by the Secretary of Agriculture, which measure provides that the general taxpayer is not assessed; the entire cost is borne by the gunners, who will pay a license fee of \$1 per year for the creation of public shooting grounds and refuges and in order to insure the future of their sport; to the Committee on Agriculture.

1169. By Mr. TAGUE: Petition of the Epworth League of the First Methodist Episcopal Church of Boston, assembled in business session, favoring the adoption of a child-labor amendment to the Constitution of the United States; to the Committee on the Judiciary.

1170. Also, petition of Court Roma, No. 212, Foresters of America, protesting against enactment of Johnson Immigration bill; to the Committee on Immigration and Naturalization.

1171. Also, petition of the Ligurian Auxiliary, composed of 150 women citizens of Boston, of Italian ancestry, condemning the Johnson Immigration bill; to the Committee on Immigration and Naturalization.

1172. By Mr. VARE: Petition of the Philadelphia Association of Retail Druggists, asking for the passage of price maintenance

legislation; to the Committee on Interstate and Foreign Commerce.

1173. By Mr. YOUNG: Petitions of Arvid Johnson and 58 other citizens of Balfour and vicinity, N. Dak.; Gunder Breder-son and other citizens of Wellsburg, N. Dak.; 74 citizens of Mabel Township, Griggs County, N. Dak.; 16 citizens of Balfour and vicinity, N. Dak.; and Anton Beck and 20 other citizens of Maddock, N. Dak., urging the passage of the Norris-Sinclair bill; to the Committee on Agriculture.

1174. Also, petition of H. E. Fraser and 11 other rural carriers of Emmons County, N. Dak., urging the enactment of legislation for the relief of rural mail carriers; to the Committee on the Post Office and Post Roads.

1175. Also, petitions of J. Egerman and 22 other citizens of Jessie, N. Dak.; J. B. Koppenharr and 15 other citizens of Revere, N. Dak.; Martin Aas and 53 other citizens of New Rockford and vicinity, N. Dak.; and C. J. Wigdahl and 72 other citizens of Minnewaukan and vicinity, N. Dak., urging an increase in the duty on wheat from 30 to 60 cents per bushel, the repeal of the draw-back provision and milling-in-bond privilege of the Fordney-McCumber tariff act, also the enactment into law of the Wallace plan for the marketing of wheat; to the Committee on Ways and Means.

SENATE.

TUESDAY, February 19, 1924.

(Legislative day of Saturday, February 16, 1924.)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

MESSAGE FROM THE HOUSE—ENROLLED BILL AND JOINT RESOLUTION SIGNED.

A message from the House of Representatives, by Mr. Chaffee, one of its clerks, announced that the Speaker of the House had signed the following enrolled bill and joint resolution, and they were subsequently signed by the President pro tempore:

S. 2249. An act to extend for nine months the power of the War Finance Corporation to make advances under the provisions of the War Finance Corporation act, as amended, and for other purposes; and

S. J. Res. 71. Joint resolution directing the Secretary of the Interior to institute proceedings touching sections 18 and 36, township 30 south, range 23 east, Mount Diablo meridian.

WAR CONTRACT FRAUD CASES.

Mr. KING. Mr. President, yesterday afternoon the Attorney General transmitted, pursuant to a resolution which I had offered and which had been reported from the Committee on the Judiciary, a report showing certain activities of the Department of Justice. Upon motion of the Senator from Ohio [Mr. WILLIS], it was directed that the report be printed as a Senate document. My attention has been called to some matters connected with the report which, in my judgment, indicate that perhaps that order was improvidently issued. My opinion is that the report ought to go to the Committee on the Judiciary, from which the resolution came, and that that committee should be charged with the duty of determining whether the report be printed. Therefore, I ask that the order issued be rescinded and that the report be referred to the Committee on the Judiciary.

Mr. WILLIS. Mr. President, it was at my instance that the order was entered for the printing of the document. I am frank to say that I had had no opportunity to examine it, nor have I yet had, but if it is the opinion of the Senator from Utah that the interests of the Government would be injured by making it public at this time I have no objection to a rescission of the order.

The PRESIDENT pro tempore. The Senator from Utah asks unanimous consent that the order for printing the report of the Department of Justice as a Senate document be rescinded and that the report be referred to the Committee on the Judiciary. Is there objection? The Chair hears none, and it is so ordered.

Mr. KING. May I make an observation? I do not say that the interests of the Government would be injured or jeopardized, but in view of certain information accompanying the report I think it is wise that it should be referred to a committee before the order to print is made.

INTERIOR DEPARTMENT APPROPRIATIONS.

The PRESIDENT pro tempore. The unfinished business, House bill 5078, is before the Senate.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 5078) making appropriations for the Department of the Interior for the fiscal year ending June